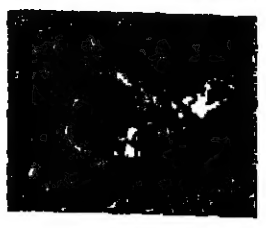
هكذا من الاصل

FINANCIAL TIMES

World Business Newspaper http://www.FT.com

THURSDAY APRIL 2 1998



Corporate websites
Could try harder, plenty of room for improvement
Page 8

US-Europe beef trade
More legal muddles down on the farm
Page 6

Oil
Who wins and who loses if today's prices hold?
Page 11

Italian railways
Prodi wants to make them pay their way
Page 2

Mastering Global Business
Around the world in 10 weeks
PART 10: the series ends TOMORROW in a separate tabloid section

Profit warnings hit Tokyo markets

Collapse of Daiichi Corp rekindles fears in banking sector

By Paul Abrahams and Gillian Tett in Tokyo

Japan yesterday began its new financial year in inauspicious fashion with a medium sized financial company going bust, a series of corporate profits warnings and falls in the stock and bond markets and the yen.

Daiichi Corporation, a non-bank lending institution, collapsed with Y405.2bn ($3.11bn) worth of debts. The company, an affiliate of Daiichi Real Estate, a privately held property group, said its total assets were estimated at about Y350bn at the end of its 1997 financial year on Tuesday.

Its failure rekindled fears that tighter bank lending could cause a spate of similar bankruptcies in coming months. Bank shares, which would be hit by such failures, fell 4.5 per cent yesterday.

The bad news helped propel the Nikkei 225 average down 1.7 per cent, or 285 points, to 16,527, while the yen depreciated further against the dollar, closing at Y133.90 in Tokyo. Hikaru Matsunaga, finance minister, said the currency had fallen too far.

The market was also buffeted by profits warnings from Nissan, the automotive group, from Marubeni, the trading company, and *Shimizu, a leading construction group.* All three acknowledged suffering significant losses on their equity holdings.

The Nikkei 225 index ended the *financial year nearly 1,500 points* below its close of 18,000 at the end of the previous fiscal year.

Marubeni warned it would make Y87bn of provisions, pushing the trading house into its first parent company net loss in 46 years. Most of the provisions would be used to cover losses on securities holdings, but Y18bn would deal with losses on special money trusts and trust funds. A further Y13bn would assist restructuring efforts at the company, which expected to post net losses of Y32bn.

Shimizu said it would book an extraordinary loss of Y67.2bn. *Losses on securities cost the company* Y20.2bn and provisions for uncollectable debts Y47bn. The group warned it would make a parent net loss this year of Y140bn, *and would cut its dividend* from Y9 to Y5.

Nissan made provisions of Y50.5bn to cover stock market losses. The automotive group said it would announce a further profits warning once it had calculated the impact of the extraordinary loss.

Underlining the dreadful state of consumer demand, the Japan Automobile Dealer's Association announced car sales had fallen more than 20 per cent in March compared with the same period last year. In the last financial year, automotive sales had fallen 14.6 per cent, the biggest decline since 1975.

Daiichi blamed the tighter lending stance adopted in recent months by Japanese banks for its failure. Tsuneo Matsuda, a *spokesman for Daiichi,* said: "Our company needed a lot of money from banks but it was very difficult to get it."

James McGinnis, banking analyst at Dresdner Kleinwort Benson, said: "I think what happened today is just the beginning. If you keep pounding banks with more losses, the weakest will not be able to take it."

Shares in Daiichi's main creditors fell sharply. Daiichi said Y240bn of its Y405bn were held by just four banks, Mitsui Trust, Yasuda Trust, Nippon Credit Bank and Chuo Trust. Shares in Mitsui Trust, which said its exposure to Daiichi was around Y89bn, fell Y28 to Y285. Yasuda Trust dropped Y35 to Y170, Chuo Trust Y48 to Y440 and Nippon Credit Bank Y9 to Y140.

Yoshinobu Yamada, analyst at Merrill Lynch, said the banks involved had almost certainly *made large provisions against the* exposure already, as Daiichi's problems had been known for a long time.

Builders hit, Page 16

China's new premier Zhu Rongji, with his wife Lao An, prepares to board a riverboat near the Houses of Parliament in London during an official visit to the UK. Trade trumps human rights, Page 4. Picture Reuters

Israel agrees to withdraw from southern Lebanon

Offer conditional on security guarantees in border region

By Judy Dempsey in Jerusalem

Israel's inner cabinet said yesterday it was prepared to pull the country's troops out of southern Lebanon, a declaration that could end two decades of occupation.

It is the first time Israel has agreed in principle to accept United Nations Security Council Resolution 425, which in 1978 called on Israel to withdraw unconditionally from southern Lebanon.

The decision, unanimously accepted by cabinet members, follows growing pressure from the Israeli public, which is no longer prepared to accept mounting casualties.

However, it falls short of fulfilling the requirements of the resolution, since it establishes conditions for a withdrawal. Israel has asked Lebanon to provide it with security guarantees by moving the Lebanese army into the area *held by Israeli forces after they* leave.

The proposal was drawn up by Yitzhak Mordechai, defence minister, after weeks of discussions among ministers about creating a framework for a withdrawal from Lebanon.

Israel invaded Lebanon in 1978 to oust Palestine Liberation *Organisation forces. After* withdrawing from Beirut and other areas, Israel carved out a 15km self-declared security zone in the south of the country, which it said was necessary to protect its northern border from guerrilla attacks.

Since then, Hizbollah, Lebanese Shia militants, have waged a low-level guerrilla war against the Israeli-backed South Lebanese Army in a bid to end Israeli occupation.

Benjamin Netanyahu, Israeli prime minister, called on Lebanon to enter into negotiations. "It might take time. But we are absolutely serious. We want to get out of Lebanon," he said.

But Elias Hrawi, Lebanese *president, said he had no intention* of meeting Israel's security demands and called on Israel simply to leave, in full compliance with resolution 425.

"If Israel wants to withdraw, all it has to do is do that, because *we want to implement international resolutions,"* he said. "We will not negotiate for one second over resolution 425. If we did . . . then it would become null," Mr Hrawi added.

Lebanon, in any case, cannot *agree to any Israeli conditions* without agreement from Syria, the country's power-broker.

Syria intervened in the Lebanese civil war in 1976 and since then has stationed more than 35,000 troops in the country. Damascus has repeatedly said an Israeli withdrawal from Lebanon must be linked to negotiations *over the Golan Heights, which* Israel captured from Syria in a 1967 war.

Mr Netanyahu said he hoped international pressure would persuade Syria and Lebanon to accept the withdrawal offer, in an *effort to put the onus of securing* peace on them.

But Syrian and Lebanese officials are suspicious of Israel's motives, believing the offer is an attempt to deflect attention from the impasse in Israeli-Palestinian *peace negotiations.*

They have been frozen for more than a year after Israel started building a Jewish settlement in Arab east Jerusalem.

Mr Netanyahu said Israel was not trying to "bypass the other [peace] *processes". But* Mr Hrawi said he did not see in the withdrawal "the peace that we want for the whole Middle East region".

Some 875 Israeli soldiers, 290 SLA troops and thousands of Lebanese civilians have been killed in fighting in the country in the past 20 years.

WORLD NEWS

Brussels pressed to launch European counterpart to Hollywood's Oscars

The European Commission is to be urged to launch European versions of the *Oscars and Emmys,* the US film and television awards. Michael Kuhn, president of the film division of Dutch entertainment group PolyGram, will also call for a European film school. Page 12

Olive branch from Yeltsin
Russian president Boris Yeltsin eased a stand-off with the legislature by *inviting the speakers of* both houses of parliament to meet him and Sergei Kiriyenko, the prime minister-designate. Page 2; Ties with Russia to continue, Page 5

Probe urged into Algeria killings
Human rights organisations called for an investigation into killings in Algeria and for a United Nations official to report on human rights abuses. Page 6

Bolivia winds down compensation
The Bolivian government began to wind down compensation paid to *growers of coca leaf – the raw* material for cocaine – for uprooting their illicit crops. Page 5

UK rethinks war claims
UK *ministers are reconsidering* their decision not to allow up to 25,000 individuals to claim back assets worth up to £33m ($55m) at 1939 prices, which were confiscated during the second world war. Page 7

Egypt bans 36 publications
Egypt banned distribution of 36 newspapers and magazines in an attempt to curb the country's increasingly outspoken independent media. Page 6

Gains for Ukrainian left
Leftwing parties scored gains in *Ukraine's parliamentary* elections, taking 155 of the 450 seats. Page 2; Editorial Comment, Page 11

Peace hope in Polish strike
The Solidarity trade union started talks with management at Poland's strike-bound Rudna copper ore mine, raising hopes of a settlement to the dispute over restructuring. Page 2

Children killed by grenade
Two boys were killed in Amsterdam when a hand grenade they were *playing* with exploded.

Airline strike called off
Unions at Olympic Airways called off a strike after the Greek government agreed to *re-examine* a draft law to freeze wages for the state airline's 7,000 employees. Page 2

Violin fetches record price
A Stradivari violin was sold at auction at Christie's in London for £947,500 ($1.58m), the highest price paid for a musical *instrument.*

FT.com
The Financial Times web site is relaunched today with a new look and structure. Browsing will be easier and downloading swifter. Greater emphasis will be placed on same-day news and special reports. http://www.ft.com
Page 8

BUSINESS NEWS

Finmeccanica and GEC link to launch first phase of $3.4bn partnership

General Electric Company of the UK and Italy's Finmeccanica *defence conglomerate* are poised for the first stage in their proposed $3.4bn defence partnership. Under the deal, a 50/50 joint holding company will control their missile systems, naval systems, radar and command and control activities. Page 13; Comment, Page 19

Tate & Lyle, UK sugar group, has won US Food and *Drug Administration* approval for the use of its sucralose sweetener. Page 13

Yugoslavia's dinar was devalued *by 45 per cent against the D-Mark* to try to stamp out the black market and bring foreign exchange dealings under control. Page 2

Dexia, Franco-Belgian banking group, is still on the acquisition trail despite its decision *not* to bid for French bank CIC. Page 18

Crédit Lyonnais is to integrate its UK stockbroking business, based on Laing & Cruickshank, into a Europe-wide structure. The shake-up will also split the management of *equities* and *derivatives* operations. Page 18

Zenith Electronics, last US colour TV maker, reported a $156m *fourth-quarter loss* and *outlined* restructuring plans that would probably lead to "massive dilution" for shareholders. Page 13

US tobacco stocks *dived* again on Wall Street as hopes of a national tobacco settlement evaporated. At lunchtime, Philip Morris was down $2 at $39¾ and RJR Nabisco $1⅛ lower at $30⅛. Tobacco deal 'as good as dead', Page 5

Labatt of Canada is raising its stake in Mexican fellow brewer Femsa Cerveza from 22 per cent to 30 per cent. Page 14

CompUSA warned that falling PC prices were eroding margins and would *hit* earnings. The computer retailer's shares were off 17 per cent at $21¾ at lunch. Page 14

Duty Free Shoppers (Hong Kong) *has axed 220 staff* because sales at the privately-owned chain have plunged with the territory's tourism and retail slump. Page 16

South Korea's March *trade* surplus was $3.7bn – its biggest ever – after imports fell 36 per cent and exports rose 7 per cent. Page 4; Kim Dae-Jung interview, Page 10

Oil and Natural Gas Corporation of India, state-owned upstream oil group, raised *annual* net profits by 19 per cent to Rs24.2bn ($613m) despite lower oil output. Page 16

China Southern, Guangdong-based *airline,* booked an *exceptional* Yn143.84m ($17.4m) gain from excess insurance compensation after a crash last year. Page 16

OECD urged to set governance standard

By Jane Martinson in London and William Lewis in New York

Experts appointed by the Organisation for Economic Co-operation and Development have called for creation of *minimum international standards on* corporate governance.

If the recommendations of the six "wise men" from the leading industrialised nations are agreed by the *OECD, they could form* the first set of internationally recognised corporate governance guidelines.

The report* calls on the OECD to draw up standards to promote "fairness, transparency, accountability and responsibility". It also calls for a voluntary code of best practice to improve boardroom responsibility and independence, and encourage disclosure by international companies.

Ira Millstein, chairman of the advisory group and *senior* partner at Weil, Gotshal & Manges, the US law firm, said the report was likely to be adopted at the end of this month.

He said the "two legs" on which the report stands were *"having a board which is capable* of being independent of management, plus a recognition that the pole star is the shareholder".

In treading a difficult path through the varied practices of the OECD's 29 member countries, the report is keen to reject a "one-size-fits-all" approach to governance.

Sir Adrian Cadbury, a member *of the group and* author of a high-level corporate governance report in the UK, said any code had to recognise the differences between member states: "What we are looking for is operational convergence."

In spite of this, the report's focus on the importance of shareholder value is likely to be seized on by supporters of the "Anglo-Saxon" approach to corporate governance.

The report warns that unless companies adapt to "efficient governance practices", access to capital markets may be restricted. Mr Millstein said if a corporation is going to perform well its "best bet is to recognise shareholder value and have a board capable of independence. After that, we are saying: go figure it out for yourself."

It calls on member governments to create a better regulatory framework to allow companies to compete while rejecting further regulation.

The last of the three central recommendations stresses the importance of society at large, a move which will be seen as a sop to the stakeholder-based view of many in continental Europe and Japan.

* *Corporate Governance: Improving competitiveness and access to capital in global markets. OECD communications division, tel: (00 33 1) 45 24 80 88/80 89; e-mail news.contact@oecd.org*

Lex, Page 12

WORLD MARKETS

STOCK MARKET INDICES		
New York lunchtime		
Dow Jones Ind Av	8,826.46	(+38.60)
NASDAQ Composite	1,835.00	(+2.37)
Europe and Far East		
CAC40	3,883.31	(+7.52)
DAX	5,154.71	(+51.88)
FTSE 100	5,817.5	(+85.4)
Nikkei	16,241.86	(-285.51)
US LUNCHTIME RATES		
Federal Funds	5.51%	
3-mth Treas Bills: Yld	5.124%	
Long Bond	102½	
Yield	5.949%	
OTHER RATES		
UK: 3-mo Interbank	7½%	(7¾%)
UK: 10 yr Gilt	[illegible]	[illegible]
France: 10 yr OAT	[illegible]	[illegible]
Germany: 10 yr Bund	[illegible]	[illegible]
Japan: 10 yr JGB	[illegible]	[illegible]
NORTH SEA OIL (Argus)		
Brent Dated	$13.48	(13.774)

GOLD		
New York Comex		
Dollar	$300.1	(300.5)
London	$301.15	(301.35)
EXCHANGE RATES		
Dollar		
New York lunchtime		
DM	1.8727	
FFr	[illegible]	
SFr	1.5334	
Y	133.85	
London		
DM	[illegible]	(1.8748)
FFr	[illegible]	(6.1059)
SFr	1.5301	(1.5245)
Y	133.20	(133.355)
Tokyo Close		Y 133.85
Sterling		
DM	3.0991	(3.0903)

CONTENTS

Full contents and Lex: back page

WORLD NEWS

EUROPE

Yeltsin moves to end battle over PM

By Chrystia Freeland in Moscow

Boris Yeltsin eased a stand-off with the legislature yesterday by inviting the speakers of both houses of parliament to meet him and Sergei Kiriyenko, the prime minister-designate.

The president's conciliatory gesture persuaded parliamentarians to back off from their threat to ask the Kremlin formally to withdraw its nomination of Mr Kiriyenko, an inexperienced 35-year-old, as Russia's next prime minister.

In a further effort to subdue the parliamentarians, Mr Yeltsin will hold today's meeting at his residence outside Moscow, a venue normally reserved for visiting heads of state. "I understand it to mean the president is ready to listen to his guests," the chief Kremlin spokesman said.

The invitation is a further signal that the president, who last week dismissed his entire cabinet, intends to reassert himself as Russia's dominant politician. With his offer of a meeting, Mr Yeltsin is seeking to appease parliamentary leaders, angered by his decision to nominate the former fuel and energy minister to the country's number two job.

Parliament, which will begin to debate Mr Kiriyenko's candidacy tomorrow, has the right to reject the president's choice. But if the legislature refuses his candidate three times in a row, the president can dissolve parliament, a threat which would turn the current game of brinkmanship into one of the most serious political crises Russia's young democracy has experienced.

Today's scheduled meeting will give Mr Yeltsin a chance to directly exert his powers of persuasion on Gennady Selezniev, the Communist speaker of the Duma, the lower house of parliament, and Yegor Stroyev, the head of the upper chamber.

The Duma called on the president yesterday to hold even broader consultations on his choice of cabinet ministers, asking him to convene "round-table" discussions with Russia's leading political parties.

Parliament also warned that it might seek to strengthen its hand by dragging out the prime minister's confirmation hearings, raising the possibility that the first vote on his candidacy might be postponed until next Wednesday.

Western economists have warned that the wrangling could delay important structural and financial reforms. They expressed their concern just as the reform faction, which fears it may lose ground in the current cabinet shuffle, became embroiled in a political conflict in one of its flagship regions, Nizhny Novgorod.

The dispute in the home town of Boris Nemtsov, the acting first deputy prime minister, intensified yesterday when the local electoral commission cancelled the results of a weekend mayoral election.

Nizhny Novgorod stunned the reformist by electing as mayor Andrei Klimentiev, a local entrepreneur who is the subject of a criminal investigation. The electoral commission justified its decision to cancel the vote and call new elections on the grounds that violations had been committed during the election campaign.

Ukraine poll gives the left big gains

By Charles Clover in Kiev

Leftwing parties scored big gains in Ukraine's parliamentary elections, nearly complete official results showed yesterday.

The Communist party received 123 parliamentary seats, over a quarter of the total of 450, with their leftwing allies, the Socialist/Peasant bloc, winning 32. This increases the strength of this core leftwing group to 155 seats (112 in the outgoing parliament), but is still not enough for a 226-seat majority in the parliament, necessary to block or pass legislation.

Other leftwing and centrist parties with which the left could form coalitions, also did well. Their combined weight could continue to block the passage of key reforms, such as spending cuts and privatisation, which Leonid Kuchma, Ukraine's president, has been seeking for years.

Next Tuesday, an International Monetary Fund team is due in Kiev to check on Ukraine's progress in fulfilling the terms of a $585m 12-month stand-by loan, suspended last month because of the country's failure to meet macroeconomic targets.

The stand-by arrangement will be hard to reactivate because of a large pre-election budget deficit, but some experts say Ukraine might be given a shot at a longer-term Extended Fund Facility (EFF) of up to $2.5bn over three years.

The EFF would be tied to Ukraine's ability to fulfil a more ambitious programme of structural reforms than the stand-by arrangement involved, including deregulation of the economy, tax reform and privatisation. But a coalition of leftwing forces could bring this programme down.

In addition to the Communists and the Socialist/Peasants, six other political parties picked up large blocks of seats.

Some represent potential partners for the core left wing of the Communists and the Socialist/Peasants.

These are the pro-government Green party (19 seats); the pro-government Popular Democratic party (28); the centrist Social Democratic party (17); the centre-left Hromada (Community) party, (23); the leftwing Progressive Socialist party, (16), and Rukh, the nationalist party, (46).

Independent candidates won 114 seats. Thirty-two seats remained unaccounted for last night.

Editorial Comment, Page 11

And the next task: making Italy's trains run on time

The challenges of Emu membership will highlight the crisis facing the country's railways, writes **James Blitz**

Romano Prodi, Italy's prime minister, has recently taken on the formidable task of trying to turn round his country's chronically inefficient railway system.

Mr Prodi has been politically strengthened in recent days by the achievement of Italian entry into the European monetary union. But the task of reforming the one public sector organisation that Italians hate more than any other will demand grit and determination even by his standards.

Although the Ferrovie dello Stato (FS) was supposedly renowned in Mussolini's day for running on time, the state-run service has been in a steep decline in recent years.

Throughout the post-war period its management has been largely unconcerned with running an efficient business. Instead, the railways were, for decades, viewed by the political establishment as a mechanism for providing building contracts for business associates and jobs to constituents.

Not all FS managers have been corrupt. But among its recent chiefs, one was shot dead by Mafia associates at his summer villa and another was led out of the office in handcuffs.

Decades of corruption have left Italy with a network that urgently needs to be turned round. Two issues are of particular concern.

First, the FS is proving a huge drain on Italy's public finances. Although final figures for 1997 have not been published, the network is thought to have incurred losses of L6,000bn ($3.3bn) last year, around 0.3 per cent of the country's gross domestic product. This is despite investment and management subsidies by the state last year of a similar amount.

The figures are so large that a recent report by European Union finance ministers expressed concern about the impact they could have on Italy's budget deficit. The report singled out reform of the FS as "one of the major challenges for government action in the next few years".

The second concern is the burden that an inefficient railway will place on Italian competitiveness from January next year when the single currency is launched. The current system is dogged by derailments and cancellations because of decaying infrastructure. Moreover, unlike France, Germany and even Spain, Italy has not yet got round to developing a high-speed freight railway.

A new management team brought in by Mr Prodi in recent months – Giancarlo Cimoli as chief executive and Claudio Demattè as chairman – has made some headway in reshaping the balance sheet.

Years of mismanagement and the power of the unions have allowed the FS's costs to escalate. Train drivers have had a 41 per cent pay increase in the last six years, during which period inflation was 27 per cent. Italian rail fares are around a third the price of German rail fares over a given distance.

The new management has managed to persuade the unions to accept new contracts that require them to work longer hours. Fares should also go up this summer to increase revenue.

But this is only a start and the new management now wants to implement two big reforms to underpin the turn-around.

The first is to have separate accounting operations for track, passenger services and local services. This is now required by European competition law and legislation implementing the change was approved by the Italian cabinet last week.

The second task is to build a high-speed link from Lyons in France to Trieste in the Italian north-east, covering a region that accounts for 50 per cent of Italian GDP. The problem is that local councils have slowed down the development of the link, dragging their feet over whether track can be laid in their districts.

The French authorities have made it clear that if there is no progress on getting the go-ahead for the Italian link soon, they will build a high-speed link to the east via Strasbourg and Munich, bypassing Italy altogether.

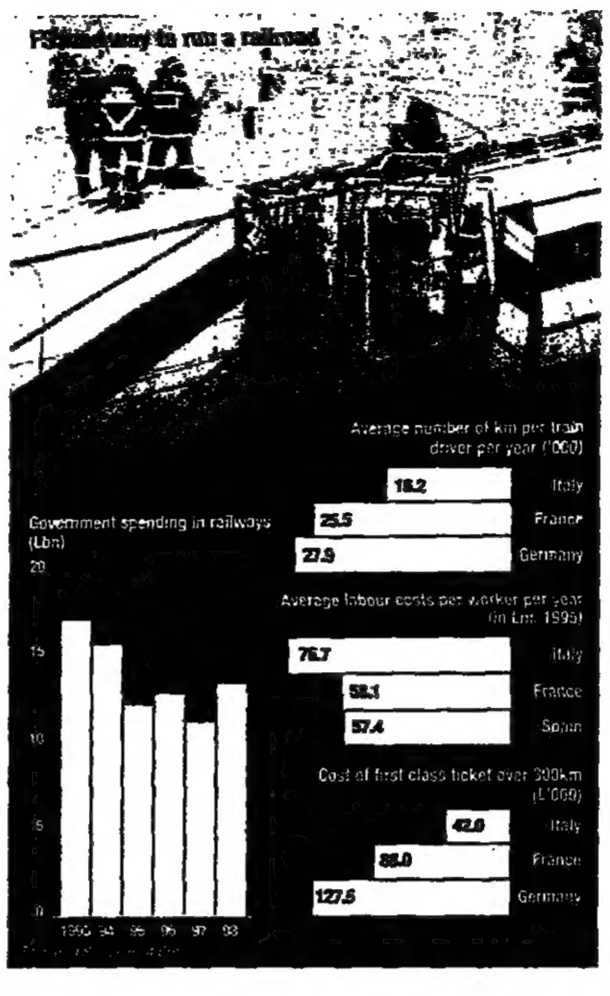
Mr Demattè hopes enough progress can be made for an outline proposal on the Italian part of the link to be shown to the French before the end of the year.

One question hangs over these reforms. Will Mr Prodi back FS management all the way if, as expected, the train drivers' unions decide to block change? Much depends on whether he can keep strict control over the complex centre-left coalition that put him in power, some of whose members would be unwilling to back a conflict with the unions.

For the moment, however, Mr Demattè is willing to sound firm: "The country wants a rail service that works. The unions must realise that we are prepared to be tough if they don't talk reasonably about the changes we want to make."

And he is prepared, too, to spell out the danger if reform is stalled.

"The Italian state railway is an organisation that will shut down in 2005 if we haven't turned it around. The network will be on its knees. The state will be losing more and more money. Passenger services run by our European partners will be dominating the few good lines that are left."



Hopes rise of end to Polish copper strike

By Christopher Bobinski in Warsaw

Hopes rose yesterday of an early end to Poland's first industrial stoppage in a large listed company with employee shareholders. Officials of the Solidarity trade union started talks with management at the strike-bound Rudna copper ore mine.

The mine is the largest of the three at KGHM, a copper combine which accounts for 3.5 per cent of world copper output.

"Our minimum demand is that restructuring plans should be held up for a month," said a spokesman for the Rudna strikers just before the talks were due to begin.

He explained that this would give time for the company's new supervisory board to examine the strategy. The board was appointed recently by the new Solidarity-led government, which still holds 52 per cent of the company's equity.

The strikers have been demanding that management drop restructuring plans which centre on the gradual transfer of several thousand of KGHM's 20,000 or so employees to lower-paid jobs in company-owned subsidiaries.

The strategy is crucial to continued profitability at the company, which has been hit by a weak world copper price and the recent appreciation of the zloty.

In an apparent sharpening of the conflict, which so far has affected only the 4,400 workers at Rudna, management warned yesterday that job cuts would follow if the strike continued.

But even before the talks began, the KGHM share price rose yesterday on the Warsaw bourse by 9.5 per cent to reach 12.7 zlotys ($3.70) per share. The rise contrasted with an 8 per cent fall in the share price after the weekend, when the miners voted for the strike.

These share price developments will have been keenly watched by the 37,500 employees of KGHM and its subsidiaries, as well as 11,000 pensioners, who were handed 15 per cent of the company's equity, or 30m shares, when it was floated in Warsaw and on foreign exchanges last summer.

Under the terms of the flotation, the employee stake, worth a total of $111m at yesterday's prices, cannot be traded until July 1999.

In many cases, the stakes are considerable as 40 per cent of those entitled by length of service at KGHM to the handout received the largest possible allocation of 810 shares each, worth 10,287 zlotys at yesterday's price.

This compares with an average monthly gross wage at KGHM of 2,500 zlotys. KGHM reported a 485m zlotys net profit last year.

Belgrade moves to control dinar

By Guy Dinmore in Belgrade

Yugoslavia's government devalued the dinar by 45 per cent against the D-Mark yesterday in an attempt to eradicate the black market and bring foreign exchange dealings under the control of the official banking system.

The dinar, which had been fixed at 3.3 to DM1 since November 1995, was set at a new rate of 6.0.

The move had an immediate impact on inflation, which showed a month-on-month rise of 3.5 per cent in February. Private shops yesterday raised the prices of imported goods by around 10 to 25 per cent, while the government raised the cost of petrol by nearly 20 per cent.

Dusan Vlatkovic, governor of the central bank, said the government would restore a tight monetary policy.

Price rises should be limited, He said, since the economy had effectively been functioning at an exchange rate of over five dinars to the mark. But economists said the Socialist-led government risked sparking further social unrest if wages and pensions did not rise accordingly.

Traders on the illegal street market were thrown into confusion by the devaluation, which followed repeated official statements that the rate would not change. Dealers were offering the same as the new official rate but predicted that within days the dinar would slip on the black market.

Mr Vlatkovic said the combined foreign exchange reserves of the central and commercial banks amounted to current money supply of about 9bn dinars and would be enough to sustain the new rate. Yugoslav citizens are restricted to buying DM500 a year.

Most commercial banks, overburdened by non-performing debts, have no foreign exchange to sell.

Tensions grow on French bank rescue

By Andrew Jack in Paris and Emma Tucker in Brussels

Tensions between France and the European Commission increased yesterday as the government in Paris suggested Brussels was responsible for delays in the approval of a new rescue plan for Crédit Lyonnais.

Dominique Strauss-Kahn, economics, finance and industry minister, said he had sent a letter to Brussels last week responding to outstanding questions raised by the Commission, and was now awaiting a reply.

He was speaking after Karel Van Miert, European competition commissioner, said on Tuesday that proposals made by France in exchange for revising the original 1995 FFr45bn rescue plan for the bank were insufficient. Mr Van Miert gave Paris one month to come up with a better offer.

Last week, he suggested the 1997 results unveiled by Crédit Lyonnais were "illegal" because they incorporated changes to the rescue plan which had not yet been approved and which cut the bank's costs by FFr3bn ($490m).

Officials in Brussels indicated that a letter received from the French authorities on Monday entirely failed to address the nub of its concerns about the restructuring of Crédit Lyonnais.

Officials in Paris said yesterday that another letter had been sent to Brussels on Tuesday, ahead of Mr Van Miert's latest remarks, which they hoped would provide the basis for agreeing a revised plan.

Mr Van Miert is insisting that extra state aid should not be given to Crédit Lyonnais without a strict assurance that the bank will be privatised on certain terms, and a commitment to sell a wide range of its assets inside and outside Europe.

He has expressed frustrations over the negotiations, accusing Paris of failing to respond rapidly and adequately to Brussels' demands for new measures to compensate changes to the plan, which could ultimately cost the French taxpayer double the original amount approved.

"The letter summoned the French government to make proposals which make the aid acceptable," said a Commission official in Brussels. "After one month we will deliver a verdict on Crédit Lyonnais on the basis of what we already have."

Mr Van Miert has made it clear that what has been offered so far is insufficient. Officials said the Commission was not necessarily waiting for a whole new restructuring plan; a letter specifying commitments could be sufficient.

"All that matters is that our concerns are addressed, particularly on the issue of privatisation and extent of the remedies," an official said.

The present leftwing French government argues that the protracted negotiations have been largely necessary to modify the 1995 plan drawn up by their centre-right predecessors. The points raised by Brussels are also believed to refer to a subsequent revised business plan submitted last autumn by the present government.

FINANCIAL TIMES
Published by The Financial Times (Europe) GmbH, Nibelungenplatz 3, 60318 Frankfurt am Main, Germany. Telephone ++49 69 156 850, Fax ++49 69 596 4481. Represented in Frankfurt by J. Walter Brand, Wilhelm J. Brüssel, Colin A. Kennard as Geschäftsführer and in London by David C.M. Bell, Chairman, and Alan C. Miller, Deputy Chairman. The shareholder of the Financial Times (Europe) GmbH is Pearson Overseas Holdings Limited, 3 Burlington Gardens, London, W1X 1LE. Shareholder of this company is Pearson plc, registered at the same address.
GERMANY:
Responsible for Advertising content: Colin A. Kennard. Printer: Hürriyet International Verlagsgesellschaft mbH, Admiral-Rosendahl-Strasse 3a, 63263 Neu Isenburg ISSN 0174 7363. Responsible Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
FRANCE:
Publishing Director: P. Maraviglia, 42 Rue La Boetie, 75008 PARIS. Telephone (01) 5376 8254. Fax (01) 5376 8253. Printer: S.A. Nord Eclair, 15/21 Rue de Caire, F-59100 Roubaix Cedex 1. Editor: Richard Lambert. ISSN 1148-2753 Commission Paritaire No 67808D.
SWEDEN:
Responsible Publisher: Hugh Carnegy 468 618 6088. Printer: AB Kvällstidningen Expressen, PO Box 6007, S-550 06, Jönköping.

Editor: Richard Lambert, c/o The Financial Times Limited, Number One Southwark Bridge, London SE1 9HL.
R

NEWS DIGEST

ARMENIAN ELECTION

Kocharyan's victory gets clearance from OSCE

International observers gave Armenia's presidential elections a cautious nod of approval yesterday and confirmed the victory of the acting president, Robert Kocharyan.

The statement from the 140-strong observer mission from the Organisation for Security and Co-operation in Europe (OSCE) called the final round "a step forward... towards a functioning democracy". But campaign officials for the losing opponent and former Communist party leader, Karen Demirchyan, said there were too many irregularities for the vote to be considered valid.

"These elections were neither free nor fair," said Mr Demirchyan's campaign director, Armen Khatchatryan, complaining of widespread ballot box stuffing and intimidation of voters and election officials.

Mr Kocharyan, a nationalist from the disputed region of Nagorno-Karabakh that lies within Azerbaijan, beat his rival by a 20 percentage point margin, capturing 59.33 per cent of the votes compared with Mr Demirchyan's 40.67 per cent.

The head of the OSCE observer mission, Sam Brown, said irregularities in the elections did not affect the outcome. Other independent western observers were outraged by the OSCE statement and said it did not reflect what they had seen. **Selina Williams, Yerevan**

OLYMPIC AIRWAYS

Greek airline strike averted

Unions at Olympic Airways yesterday called off a strike planned for today after Greece's Socialist government agreed to a full parliamentary debate on a draft law to freeze wages and cut benefits for the state airline's 7,000 employees.

The government earlier said it would use an emergency procedure to pass measures that Olympic's unions had rejected in talks with the transport ministry. The concession gives Tasos Mantelis, transport minister, an opportunity for fresh talks with unions before next week's three-day debate.

Olympic's workers are contesting proposals for a three-year wage freeze, a 45-hour working week and cuts in allowances. Mr Mantelis said the wage agreement "has to go through before a rescue plan for Olympic can be implemented".

The Socialists' plans for public sector and labour market reforms have provoked widespread opposition. A bomb exploded yesterday at the labour ministry building, damaging the offices of Miltiades Papaioannou, the minister, but did not cause any injuries. **Kerin Hope, Athens**

ROMANIAN POLITICS

New candidate for premier

Radu Vasile, an economist and secretary-general of Romania's National Peasants' party, was nominated last night by the party as its candidate to be the country's next prime minister.

His nomination is expected to be confirmed today by President Emil Constantinescu, who is seeking an urgent resolution to the country's political crisis, which on Monday brought the collapse of the government of Victor Ciorbea. The Peasants party, of which Mr Ciorbea was also a member, is the largest party in parliament.

Mr Vasile is expected to put together a government from the parties that formed the previous coalition including the Liberals, the ethnic Hungarian alliance and the Democrats.

Mr Vasile, 55, was an economics professor before the collapse of the communist regime at the end of 1989. Once nominated by President Constantinescu, he will have 10 days, under the terms of the constitution, to win parliamentary approval for his cabinet and for the new government's programme. **Kevin Done, East Europe Correspondent**

AUSTRIAN COALITION

Parties at odds over Nato

The two Austrian government coalition parties failed yesterday to reach a joint position on defence policy because they could not agree on whether to seek Nato membership. The Social Democrats of the chancellor, Viktor Klima, rejected the demands of the conservative People's party, their junior partner, to put Austria on track towards joining Nato.

The Social Democrats insisted on sticking to a policy of neutrality and working towards the creation of a joint European security policy. Wolfgang Schüssel, the foreign minister and chairman of the People's party, said the failure to agree on a joint report was "tragic".

The fight over Nato has dominated Austrian politics for months. A majority of Austrians reject Nato membership even though the alliance is taking in neighbouring Hungary and the Czech Republic. **Eric Frey, Vienna**

BASQUE BOMBINGS

Eta blamed for fresh blasts

Bombs exploded at the homes of four local politicians of the ruling Popular party in Spain's Basque country early yesterday in attacks blamed on the armed separatist group Eta.

One person was slightly injured in the wave of explosions, which occurred at entrances to houses and apartment blocks where Popular party officials lived, authorities said.

Spain's interior minister, Jaime Mayor Oreja, called the bombings an "act of revenge" by Eta for a recent police crackdown that has resulted in nearly a dozen arrests and led to the dismantling of two of the group's commando units. **Reuters, San Sebastián**

GERMANY AND EMU

Court statement on euro

Germany's constitutional court has signalled that it will make a statement today about suits filed against the introduction in Germany of the euro, the planned European single currency.

A number of complaints have been submitted to the court, including one filed in January by four professors who are seeking to delay the planned starting date of January 1, 1999 for European economic and monetary union (Emu).

They have requested an injunction to prevent the euro going ahead before the court reaches a final decision.

Today's announcement will be the court's first public pronouncement on the euro complaints and could establish whether it believes there is a case to be made against the single currency. **Peter Norman, Bonn**

EUROPEAN ECONOMIES

Growth picks up in EU

Gross domestic product of the 15-nation European Union rose 2.6 per cent in 1997, up from a rise of 1.7 per cent a year earlier, the EU's statistical office, Eurostat, announced yesterday.

All member states recorded an increase in GDP, with Ireland having the highest growth of 8.3 per cent.

Italy recorded the lowest increase, 1.4 per cent, but this was still a rise from 0.7 per cent in 1996. **AP, Brussels**

CZECH FINANCES CABINET MAY HAVE TO RESORT TO NEW BONDS AND LOANS AFTER THE DISCLOSURE OF EXTRA STATE BURDENS

Prague seeks cash after debt shock

By Joe Cook in Prague

The Czech finance minister, Ivan Pilip, is to ask his cabinet colleagues to consider a mix of bonds and loans to help finance hitherto undisclosed public debts with a face value of Kč170bn ($5bn) that were amassed under the last government, led by Vaclav Klaus.

News of the debt, which is equal to some 10 per cent of gross domestic product and which has never been accounted for in the state budget, took analysts by surprise. "What this indicates is that Czech fiscal policy is a lot looser than was commonly imagined," said an economist with a US investment bank. "It also raises the question of transparency."

According to official statistics, the state budget had a surplus every year between 1993 and 1995 and deficits of less than one per cent of GDP in 1996 and 1997.

Mr Klaus, whose government collapsed last autumn amid a party funding scandal, was once renowned for his professed belief in balanced budgets.

Of the Kč170bn debt, Mr Pilip says that Kč107.6bn is irrecoverable and uncovered by provisions. The shortfall is equal to 6.4 per cent of GDP, or about half as much again as the Czech Republic's hitherto officially recognised public debt.

The bulk of the debt is carried by three state institutions that were established at the beginning of economic reforms to ease the country's transition from communism to capitalism.

Konsolidacni Banka, a finance ministry bank set up to relieve the banking sector of communist-era loans, holds Kč49.2bn of receivables. Ceska Inkasni, which took poor quality assets from the state-owned CSOB Bank, holds Kč20.7bn. Ceska Financi, a central bank vehicle for taking bad loans from troubled banks, is burdened with Kč12.1bn.

The remainder is attributable to the state-run Export Guarantee and Insurance company, the state's Czech Export Bank and a state guarantee scheme run by the central bank for "stabilising" the banking sector.

Mr Pilip is proposing that the debts be gradually consolidated into a new entity over the next three years, and that the shortfalls be financed by bonds or loans. "The plan is to create an efficient and clear administration and to prevent further hidden fiscal risks," he said.

As yet, there is no indication whether the proposed bonds or loans would be raised on the domestic or international capital markets, or both.

If the government opts for loans, it would incur additional annual debt servicing costs of up to Kč14bn, equal to 0.8 per cent of GDP, according to one economist.

Deal with Turkish prisoners set to bring end to hostage crisis

By Kelly Couturier in Ankara

Turkish inmates linked to a far-left urban guerrilla group yesterday released 11 prison staff whom they had held hostage and were expected to end their protests after reaching an agreement with the authorities.

About 350 inmates had been holding more than 50 jail guards in 10 prisons in protest at the transfer of prisoners to different jails and at plans to replace open dormitories with individual cells.

Ferzan Citici, the Istanbul state prosecutor who mediated in the two-day crisis, said the 10 prisoners affected by the contested transfer would be allowed to move to prisons near their families.

There was no word of injuries in the prisons, but the state-run Anatolian news agency said one guard, Selahattin Keskin, had been freed from Bursa jail in western Turkey after falling ill.

The guards were seized on Tuesday at prisons in Buca, Bergama, Istanbul, Ankara, Sakarya and Cankiri, by prisoners demanding a halt to transfers of inmates from Buca Prison.

Oltan Sungurlu, justice minister, said the decision to transfer the prisoners out of Buca would not be reversed. Earlier, he had ruled out armed intervention by security forces to free the guards.

The inmates involved in the hostage-taking are linked to the Revolutionary People's Liberation party Front (DHKP-C). It is an urban guerrilla movement which grew out of the Revolutionary Left (DEV-SOL) organisation that flourished in the 1970s.

The group has assassinated politicians, prosecutors, police and other members of the security forces, as well as top industrialists. It has also targeted Americans.

Turkish prisons have often been the scene of unrest organised by inmates who belong to various armed guerrilla movements. Contact among inmates is made easier by the fact that prisoners are often held in dormitory-type cells holding 10-60 people. Prison officials report that weapons, drugs and mobile phones are easily smuggled into prisons.

Claiming that the latest crisis showed a clear communication network among inmates in different prisons, Mesut Yilmaz, the prime minister, said action must be taken to prevent armed groups flourishing while behind bars.

Inmates have staged frequent hunger strikes and other protests to protest against plans to introduce individual cells or to call attention to poor living conditions and brutality inside Turkish prisons, which currently hold an estimated 60,000 prisoners.

Last January, more than 100 prisoners, mostly belonging to extreme left or pro-Kurdish guerrilla groups, staged a 55-day hunger strike in several prisons in protest at conditions. In July 1996, 12 inmates died in a similar strike which lasted 69 days.

Istanbul police drag away students attempting to demonstrate in support of yesterday's prison revolt AP

Brussels outlines rail freight competition targets

By Michael Smith in Brussels

The European Commission yesterday outlined targets for opening up rail freight networks to competition, as part of a drive to revitalise the rail sector and halt a fall in its share of the transport market.

The European Union executive wants a quarter of the freight market in each member state to be available to operators other than the incumbent, usually a state-owned monopoly, within 10 years.

The liberalisation would be achieved in stages, starting with 5 per cent immediately. The targets are bound to cause controversy in countries including France, where state-run companies guard their monopolies jealously.

In a report yesterday, the Commission argued radical change was needed for the rail sector to tackle a threat to its existence beyond the next century. Neil Kinnock, transport commissioner, said that on present trends, rail's future was bleak. Big changes were needed.

The Commission said that more than 500,000 railway jobs had been axed over the past 15 years and many rail companies were saddled with debts which hindered them from making the investments they needed to expand.

In 1991, the EU approved legislation designed to improve the rail sector's fortunes by introducing competition and reducing railway companies' debt. The legislation aimed to ensure service operators were independent of infrastructure managers, to avoid potential conflicts of interest.

Yesterday's report said these policies had not been implemented properly and further measures were necessary. The Commission would publish in May a package of measures clarifying the rules on access for newcomers, which it said were too vague.

These would include guidelines on infrastructure charges and allocations, and tighter rules on rail network management.

In summer, the Commission intends to propose revised rules on railway financing, covering public services and state aid for rail and road transport.

Dutch cartels under thumb of the NMA

By Gordon Cramb in The Hague

Staff at the NMA, the new Dutch competition authority, were bleary but busy yesterday. Its doors had been open until midnight to receive the last in a stream of applications for exemption under sharply tightened cartel rules.

Companies had been warned that missing the deadline meant they had little chance of continuing any cosy relationship with others in their sector.

The fact that a central government agency was open in the evening – something unheard of in the nine-to-four Netherlands – was a signal that the three-month-old NMA intended to do things differently.

But demand for that service, with couriers arriving every few minutes, indicated that many in Dutch business remained anxious to preserve their own trading arrangements as they were.

By Monday, officials had received 108 applications for cartel exemption. Yesterday they had lost count, although one said that figure had been exceeded "many times over".

Until this year, cartels were accepted unless expressly forbidden. That is now being brought into line with European Union practice. Price arrangements will be sanctioned only for sound reasons, such as when two companies combine in a costly product development project.

Still, there remain numerous sectors where prices are in theory free but those seeking to undercut the going rate are kept out of the door by other means.

For example, it may be possible to buy a residential property in Amsterdam without paying the standard 2 per cent commission to an estate agent who finds it, but the NVM association of property brokers protects its patch by denying non-members access to the newest homes on its database.

Daily newspapers, which derive advertising revenue from NVM members, recently refused to accept an advertisement promoting the Woningkrant, a publication sold on news-stands. It lists properties on offer through rival intermediaries and by individuals seeking lower overheads in the sale of their homes.

The NMA is investigating some 90 complaints, largely of alleged abuse of a dominant market position. It also has the duty of examining proposed mergers and acquisitions below the annual turnover threshold of Ecu2.5bn ($2.7bn), at which point the EU steps in. Like the competition directorate in Brussels, its maximum sanction is a fine amounting to 10 per cent of a company's worldwide annual revenues.

The Dutch authority has the power to act on its own initiative, although in the early stages its 80 staff will be occupied mainly with incoming complaints and the flood of cartel exemption requests.

Karel Van Miert, EU competition commissioner, has commended The Hague for the resources it has belatedly committed to the issue. He is keen to devolve cases to national authorities where possible.

A.W. Kist, the NMA director-general, a lawyer who had previously advised the Dutch government on privatisations, is happy with his terms of reference. With a little irony, he said: "It is a good law because it has profited from the head start of having lagged behind." Past mistakes by other countries had been heeded.

"I would hope that over five years we build the same reputation as the central bank as a supervisor – so that we only have to raise an eyebrow to put a stop to something," he added. If that becomes the case, not only his own staff may be having sleepless nights.

ASEM SUMMIT ISSUE OF HOW TO RESTRUCTURE SHORT-TERM PRIVATE SECTOR DEBT REMAINS TO BE RESOLVED

Indonesia pressed on new IMF deal

By Peter Montagnon, Asia Editor, in London

Indonesia will come under intense pressure at the Asem (Asia-Europe) summit to complete a revised economic reform agreement with the International Monetary Fund before the heads of state conclude their two-day meeting in London on Saturday.

Asian officials said agreement with the IMF was more or less complete except for the issue of how to restructure the country's short-term private sector debt estimated at over $80bn.

An IMF agreement before conclusion of Asem would provide an opportunity for the 24 other countries represented to endorse President Suharto's decision to accept the prescriptions of the Washington body. This would allow the meeting to close on a positive note, with a feeling that the economic crisis which has dogged Asia since last summer was back under control, they added.

Habibie: expects a float

Conversely, the failure of the Suharto regime to reach an agreement with the IMF team now in Jakarta could leave a sense of helplessness in dealing with the crisis, even though the leaders assembled in London have little direct say in the negotiations.

The European message on the IMF is likely to be unequivocal. "We have absolute faith in the IMF and the proposals they have been putting forward. We see them as absolutely essential," said Alistair Campbell, official spokesman of Tony Blair, UK prime minister.

Continental European officials say Indonesia, which is suffering from rampant inflation and a severe contraction of economic output after its currency plunged by around 70 per cent in recent months, remains their greatest worry, and they are anxious to see it back on track with the IMF.

President Suharto is staying away from the London meeting, officially on grounds of ill health, but yesterday a confident B.J. Habibie, vice-president, told a gathering sponsored by Asia House business association that Indonesia was going to learn from its mistakes, although it would take two or three years to get the economy back on track.

Mr Habibie also backed further away from the controversial proposal of a currency board peg system for Indonesia, saying he expected the rupiah to float in relation to a trade-related basket of currencies.

The Asian crisis is likely to top the summit agenda with many Asian countries seeking more help from Europe which has been regarded as slow in coming forward. "It's important for us to get the recognition from the Europeans that they see it as their problem as well," said one official.

Japanese officials note their country has provided $19bn to top up IMF packages with considerable concessionary finance for Indonesia as well and the US has provided $8bn. Europe has provided only $6.25bn, all to just one country, South Korea.

Opening the summit tomorrow, Mr Blair is expected to say that Europe is not a "fair weather friend" of Asia, but that it shares a vision of a closer relationship and commitment to collaborate.

Manila exchange dispute deepens

By Justin Marozzi in Manila

The stand-off between the Philippine Securities and Exchange Commission and the stock exchange over insider dealing investigations intensified yesterday with the exchange opposing any moves to amend its bylaws and the SEC threatening unilateral action.

The market watchdog threatened on Tuesday to revoke the exchange's licence unless it reformed its investigation of insider dealing by yesterday.

The threat was not carried out and trading went on as normal this morning but, in a letter to the SEC, Jose Yulo, president of the Philippine Stock Exchange, said there was "no need to amend PSE by-laws". The removal of the president's authority to audit and investigate members – the heart of the tussle between the two organisations – was not necessary for the exchange to achieve self-regulatory status, he said.

Mr Yulo added: "To disengage the president in one of his main functions is... like saying a president is less independent, less fair and has less integrity than a lower ranking officer who reports to him."

Perfecto Yasay, SEC chairman, who is impatient with the slow pace of reform at the exchange, threatened to impose new rules that would "override the current system" this week if the PSE did not act on the issue. Mr Yasay said he was still considering the creation of a new bourse.

Mr Yasay is also keen to see the exchange become self-regulating to enable the release of a second tranche, worth $75m, of a $150m loan from the Manila-based Asian Development Bank for capital market development. An ADB official said yesterday this would not be disbursed until the exchange was a self-regulating organisation, although the bank was leaving the PSE and SEC to reach agreement on the issue themselves.

NEWS DIGEST

SOUTH KOREA TRADE

Record surplus in March as imports fall sharply

South Korea reported its largest-ever trade surplus in March at $3.7bn because of a sharp 36 per cent fall in imports and a modest rise of 7 per cent in exports. Korea, which has normally suffered trade deficits, has recorded surpluses for five consecutive months, including a previous record of $3.3bn in February. This reflected weak domestic demand caused by its financial crisis. A fall in the currency, the won, has also reduced imports.

Imports of consumer goods fell by 44 per cent, while capital goods declined by 38 per cent and raw materials by 37 per cent.

The weak currency has not benefited exports, which rose by only 4.3 per cent once shipments of gold collected from public to pay the nation's foreign debt were excluded.

The trade surplus in the first quarter of 1998 amounted to $8.58bn, with the government estimating it will reach $20bn for the full year. John Burton, Seoul

Dissident to president, Page 10

THAI ECONOMY

Inflation rises to 9.5%

Thai inflation reached 9.5 per cent year-on-year in March as the devaluation of the country's currency began to take its toll on prices. Prices have increased 1.1 per cent since February. In its agreement with the International Monetary Fund, the Thai government has targeted annual inflation at no more then 11.6 per cent this year.

The announcement, together with Tuesday's figures showing that exports in January fell 7.9 per cent year-on-year, prompted the baht to weaken significantly for the first time in several weeks. Dealers said slowing exports would weaken capital inflows, while high inflation could head off an expected interest rate cut. The baht closed at Bt39.10 to the US dollar, compared to Bt38.80 on Tuesday.

The main reason for rising inflation are increases in food prices, which account for 35 per cent of the inflation index. They rose 11.6 per cent year-on-year and 1.6 per cent month-on-month in March. Rice accounted for the biggest increase in food prices, climbing 46.7 per cent year-on-year and 2 per cent month-on-month. Ted Bardacke, Bangkok

CAMBODIAN VIOLENCE

Prince's supporters in fighting

Street battles erupted in central Phnom Penh yesterday after supporters of deposed Cambodian co-premier Prince Norodom Ranariddh clashed with opponents. More than 100 people opposed to the prince marched through the city and threw stones at the prince's supporters near the city-centre hotel where he has been staying since he returned on Monday, witnesses said.

There followed some 15 minutes of clashes as the rival groups charged each other. The pro-Ranariddh group eventually took flight and dispersed, witnesses said. Scores of military police later arrived on the scene, some with batons and some with automatic rifles.

Prince Ranariddh, who was forced from power in July, was in the hotel all day meeting diplomats, top officials from his Funcinpec party and reporters.

The prince's return was under a Japanese-negotiated peace plan aimed at ending factional fighting and ensuring he could take part in a July election. Reuters, Phnom Penh

STIMULUS PACKAGE LDP CONSIDERS CHANGE TO FISCAL LAWS

Japan's ruling party may extend tax cuts

By Michiyo Nakamoto in Tokyo

Japan's ruling Liberal Democratic party (LDP) is considering the possibility of extending income tax cuts beyond this year, in spite of an earlier insistence that income tax cuts would not be included in its new economic stimulus package.

The LDP, which rejected income tax cuts for its latest stimulus package unveiled last Friday, is studying the possibility of either extending the Y2,000bn ($15.35bn) temporary income tax cut or revising the fiscal reform law to allow the government to implement tax cuts on a much larger scale than now possible.

The turnaround by the ruling party, just days after party leaders clearly indicated there would be no further income tax cuts, highlights the split within the LDP and the inability of Ryutaro Hashimoto, the prime minister, to continue to justify his tight fiscal policy amid mounting evidence of a further downturn in the economy.

Mr Hashimoto and the LDP secretariat have been strictly opposed to further income tax cuts, which would undermine the fiscal reform law that calls for a strict schedule to reduce the government deficit.

They have been unable to propose tax cuts for fear of jeopardising the passage of the 1998 budget.

A reversal of their tight fiscal policy would also lead to calls from both the opposition and from within the LDP that they resign to take responsibility for economic mismanagement.

As a result, the latest economic stimulus package focuses on public spending measures, with only modest special policy tax cuts included.

However, the package has failed to support the market. The Nikkei average has continued to slump significantly below the 18,000 mark that LDP leaders had considered a crucial level. The yen has weakened further, prompting concerned remarks from the ministry of finance.

Further signs of economic weakness are expected this month with the release today of the Bank of Japan's quarterly survey of business sentiment.

Against this background, the Japanese government has faced persistent calls for tax cuts, not only from the US, Japanese business leaders and private economists, but also from within the LDP. The Japanese government is also concerned that it will face strong calls for further stimulus measures at the Asem (Asia-Europe) meeting in London beginning on Friday.

Most importantly, however, the LDP desperately needs to improve its image before the July national elections for the Upper House of the Diet.

While momentum is building up for further tax cuts, the danger is that the same political considerations that have tied the LDP leadership's hands will once again prevent it from going far enough.

Jakarta to limit money growth

By Sander Thoenes in Jakarta

Indonesia plans sharply to limit money growth to keep its inflation rate below 47 per cent this year as part of an International Monetary Fund agreement, an Indonesian official said yesterday.

He said a set of revised budget targets had been agreed with IMF officials but was awaiting final approval by Stanley Fischer, IMF deputy director, who is due to arrive today to finalise negotiations on reforms.

President Suharto shocked markets in early January with a draft budget that was widely considered unrealistic, and ignored a 16 per cent limit on broad money growth in a second draft, agreed with the IMF.

The official said the latest draft assumed broad money would grow by no more than 12 per cent, to undo some of the easy credit in the first months of this year. This would help gross domestic product contract 5 per cent, as opposed to an earlier assumption of zero growth.

The IMF agreed to the maintaining of food subsidies of Rp1,800bn ($213m) and fuel subsidies of 7,300bn, even though the fall of the rupiah has boosted the rupiah cost of keeping prices low. This would leave a budget deficit of 3.2 per cent of GDP, compared with an earlier target of 1 per cent.

The draft budget would presume an oil price of $16 a barrel. This compares with $17 in the earlier draft but is still above current rates.

Earlier drafts were also overtaken by the collapse of the rupiah, and the official was not sure what the rate used in the new budget would be. The rupiah ended slightly higher at Rp8,550 to the dollar yesterday on optimism about an IMF agreement, compared with a low of Rp17,000 but still far from the Rp5,000 rate assumed in the earlier draft budget.

Delay in the IMF accord has held up numerous bilateral and multilateral loans, but Canada said yesterday it would provide US$280m, mainly in export credit guarantees for farm products. The World Bank said on Tuesday it had agreed several loans to Indonesia.

Trade trumps human rights in west's dealings with China

James Kynge and **James Harding** on a new emphasis on dialogue rather than confrontation

Nearly nine years after the Tiananmen Square massacre in Beijing, there are signs of a perceptible shift in the west's attitude toward China on the question of human rights.

Much of the opprobrium has evaporated. Governments in Europe are espousing a belief that engaging Beijing in "dialogue" on human rights issues stands a greater chance of influencing China than public criticism and confrontation, diplomats said.

The shift goes some way toward removing one of the chief obstacles China has encountered in its attempts to raise its international profile. If Beijing can push the issue of its human rights to the sidelines of international relations, it may be able to project its voice more forcefully on a number of economic and political questions.

The visit of Zhu Rongji, China's new premier, to the UK and France this week and next is expected to exhibit something of a new official mood toward Beijing in Europe.

"We came to the realisation that our policy of confronting China on human rights was not necessarily the most effective method," said one European diplomat in Beijing. "Dialogue may actually achieve more meaningful progress within China."

The most unequivocal sign that Europe's stance has shifted came early this year when the European Union decided for the first time not to table a resolution criticising China's human rights record before the United Nations Human Rights Commission.

Diplomats acknowledge that disunity among European allies in 1997, when France declined to support a resolution censuring China, had applied pressure behind the scenes this year. France was rewarded with $1.8bn in contracts just months later. By contrast, those countries which tabled an independent resolution in 1997 – Denmark, the Netherlands, the UK and Ireland – experienced a cooling in relations.

To some, the decision this year not to table a resolution appeared short-sighted. "Trade trumped human rights. I think it was a shameful abdication of responsibility," said Louisa Coan, China specialist with Amnesty International (USA).

But others notice signs of a spirit of openness in China which should be nurtured. "Bombast and sanction as a means of determining the course of China's internal affairs is simply a non-starter," said Robert Kapp, president of the US-China Business Council.

Mr Kapp and others said that China's promise this year to sign the Covenant on Civil and Political Rights at the United Nations, as well as other separate developments, was an indication that Beijing is coming to terms with a set of global norms and principles. Such commentators caution, however, that Beijing's promise will have to be followed by ratification before the covenant has any force. This could take several years.

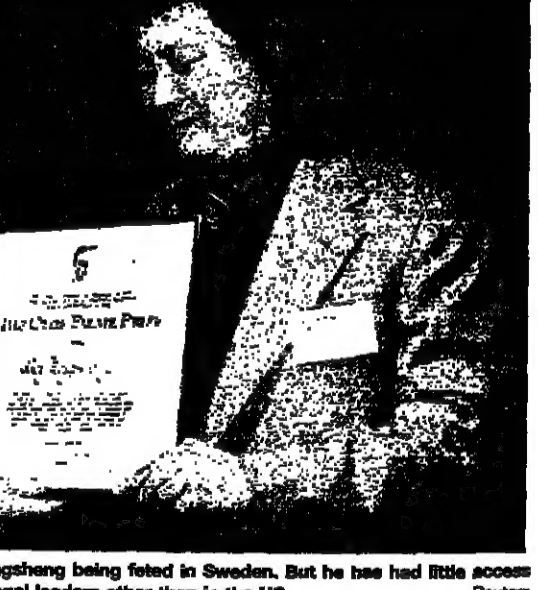
In the meantime, an apparent shift in China's policy on imprisoned dissidents has also ceded some diplomatic advantage to Beijing. Diplomats said that China seems to believe that by allowing imprisoned dissidents to go into exile overseas not only wins propaganda points with the US administration but can, in some cases, render the dissidents ineffective.

Wei Jingsheng, the father of China's modern democracy movement, was freed late last year on medical parole. Apart from a high-profile audience with President Bill Clinton, Mr Wei appears to have had little access to the world's leaders. Robin Cook, Britain's foreign secretary, declined to meet Mr Wei during a trip to London, and so did Mr Chirac.

The US has traditionally been more vociferous than Europe on the question of China's human rights, in spite of the Clinton administration's decision in 1994 to abandon a policy of linking the continuation of Most Favoured Nation (MFN) trading status to "overall, significant progress" in Chinese human rights practices.

But despite an annual vote by the US Congress since 1990 on whether to extend MFN, the favourable trading status has never been revoked. This year there is certain to be much vocal campaigning by various human rights, religious and other pressure groups before the congressional vote in June, but most commentators predict that MFN will again be awarded.

The lure of possible contracts to be announced during Mr Clinton's scheduled summit in late June (after the MFN vote) could also take the edge off human rights militancy in Congress, commentators said. And besides, US politicians report that Chinese lobbyists are playing an increasingly skilful game in Capitol Hill.



Wei Jingsheng being feted in Sweden. But he has had little access to national leaders other than in the US Reuters

CIGARETTE MAKERS ORIGINAL PROPOSALS OVERTAKEN BY BILL WHICH COULD COST INDUSTRY MORE THAN $600BN OVER 25 YEARS

Tobacco settlement 'as good as dead'

John McCain, chairman of commerce committee, put forward proposals granting little legal protection for tobacco industry AP

By Richard Tomkins in New York

The US national tobacco settlement is as good as dead. That is Wall Street's verdict following this week's developments in Washington.

Yesterday, the Senate commerce committee looked set to vote through draft legislation which, if approved by Congress, would hit the tobacco industry with taxes and penalties of more than $600bn over 25 years, partly to settle existing lawsuits.

The bill would give cigarette makers almost none of the protection against big civil lawsuits they had sought, leaving them exposed to multi-billion dollar awards for damages.

"The bill is a disaster for the industry," David Adelman, an analyst at Morgan Stanley Dean Witter said. "It would put the manufacturers under incredible financial stress, yet even this proposal is being criticised by the public health community. I think the public health segment will truly not be satisfied until the manufacturers are bankrupt, and as a result, you can't get a reasonable settlement."

Gary Black, a tobacco analyst at Sanford C. Bernstein, said in a note to clients on Tuesday that "unless something magical" happened in the next 48 hours, the settlement was "now officially dead". Most investors could have lived with the financial aspects of the deal if liability protections had come through, Mr Black said.

'The bill is a disaster for the industry. The public health segment will not be truly satisfied until the manufacturers are bankrupt, and as a result, you can't get a reasonable settlement'

"However, for $637bn, which we compute as the all-in cost of this deal, the industry would get essentially no liability protections other than settlement of existing Medicaid and addiction class actions."

Last year, the tobacco industry struck a deal with a group of state attorneys general under which the industry agreed to pay $368.5bn over 25 years to settle legal claims. The money would have been raised through a cigarette price increase of 62 cents a pack, excluding further penalties if under-age smoking failed to decline.

The industry also agreed to sever restrictions on the advertising and marketing of its products. But in return, it was to get immunity from big class action lawsuits and punitive damages awards, removing a threat that has clouded its future for decades. Congress, miffed at being left out of the negotiations, took a tough line on the deal from the start, and hardened its resolve with the publication of damning documents about the industry's marketing practices.

But even as congressmen competed with one another to propose ever-tougher legislation, the industry hoped something could be salvaged from the deal if it contained the all-important legal protections it sought.

The industry's bargaining chip was that, without protections, it would not agree to give up its rights to advertise and market its products.

On Monday, however, John McCain, chair of the Senate commerce committee, published legislative proposals that would raise the price of cigarettes by $1.10 a pack over five years while granting almost no legal protections. The following day the Senate as a whole overwhelmingly approved a non-binding resolution denying the tobacco industry legal relief in any settlement.

Legislators and the tobacco industry have been engaged in brinkmanship since the negotiations began, and it is still possible that a compromise will emerge. But Wall Street analysts think the tobacco industry is about to give up on the deal.

If that happens, Congress will be left with the option of doing nothing at all, or more likely, imposing narrower legislation on the tobacco industry that would amount to a big tax increase and regulation by the Food and Drug Administration.

NEWS DIGEST

US MANUFACTURING

Growth remains healthy despite Asia crisis

Growth in the US manufacturing sector expanded sharply in March, well ahead of analysts' expectations and without showing signs of rekindling inflation.

The National Association of Purchasing Management said yesterday that its monthly index of business activity surged to 54.8 last month from 53.3 in February. Economists had expected the trade group's figure to be unchanged or slightly lower, reflecting a slowing of the economy because of the Asian crisis.

But there were no immediate signs that the crisis was hitting manufacturing or construction, either, where the Commerce Department reported yesterday that spending rose in February for the third consecutive month, with increases in housing and government construction offsetting a decline in commercial projects.

The 0.3 per cent increase, to a seasonally adjusted annual rate of $622bn, followed stronger gains of 0.7 per cent in January and 0.8 per cent in December. **AP, New York**

BRAZIL SHORT-TERM INFLOWS

More limits considered

Brazil may impose further restrictions to limit short-term capital inflows, Pedro Malan, the finance minister, hinted yesterday.

The country, which late last year was suffering heavy outflows of capital in the midst of the Asian crisis, has in the last two months faced a flood of inflows. This led the government last week to tighten controls on money entering the country.

Speaking to a London conference organised by the FT on power privatisation in Brazil, Mr Malan said Brazil's foreign currency reserves have risen to a record $65bn – on the back of heavy inflows during March.

He said the government had told the International Monetary Fund: "We reserve the right to impose or not to impose controls on short-term capital inflows as necessary."

Controls would continue to be "market friendly and not retroactive". **Foreign Staff, London**

GORE-CHERNOMYRDIN COMMISSION

Ties with Russia to continue

Russia's ambassador to the US said yesterday that the Gore-Chernomyrdin commission, which has pushed forward the US-Russian economic relationship, will continue its work despite the removal of Victor Chernomyrdin, the Russian prime minister.

"The next meeting is in Moscow at the end of the summer," said Yuli Vorontsov, adding that the Yeltsin administration "highly valued" the commission's achievements and wanted to keep it alive.

The commission has promoted US-Russian economic ties in areas ranging from aerospace to oil. The personal relationship between Mr Chernomyrdin and Al Gore, US vice-president, has been a key factor in its work. But Mr Vorontsov and other Russian speakers at a conference of the US-Russia Business Council insisted that the surprise dismissal of the Russian cabinet did not signal a change of policy. "This is not a change of flight plan, but a change of crew in the cockpit," said the ambassador. **Bruce Clark, Washington**

QUEBEC

Budget hints at tax relief

Quebec is poised to bring in a balanced budget by the end of fiscal 2000, and is hinting at tax relief in advance of an election anticipated this autumn.

The province is forecasting a deficit of C$1.1bn (US$780m) for 1998-99, just 0.6 per cent of GDP. While there are no short-term tax reductions, Bernard Landry, finance minister, said: "Quebec is already overtaxed and we must reverse this situation as quickly as possible."

The separatist Parti Quebecois government has lagged behind Ottawa and the other provinces in putting its fiscal house in order, but analysts said the conservative forecasts for the budget should allow the province to meet its deficit targets easily. **Edward Alden, Toronto**

INTERNAL REVENUE SERVICE

Sweeping reforms approved

The Senate Finance Committee has unanimously approved sweeping legislation to overhaul the troubled Internal Revenue Service.

In a vote late on Tuesday, the committee endorsed a bill that would provide new taxpayer rights and institute a private sector led management committee to oversee the agency's operations. "This is a major step forward for the American taxpayer," said William Roth, committee chair.
Mark Suzman, Washington

Vibrant California shrugs off triple threat to economy

By Christopher Parkes in Los Angeles

The combined forces of the Asian crisis, renewed industrial restructuring and the worst winter weather on record have had no discernible impact on California's economic resurgence.

Growth in employment and personal incomes continues apace and consumer confidence is at its highest for seven years, according to economists at the University of California, Los Angeles.

Optimism over the Asian impact is underscored by an analysis from the Federal Reserve Bank of San Francisco, which says vital exports of high technology, business services and aircraft from western states have been barely touched by events.

The worst-affected sectors, farm commodities and processed food, account for only 15 per cent of exports to Asia and less than 1 per cent of regional gross domestic product, the bank says.

The net reduction in the area's growth might be less than some economists had calculated, and closer to the national impact, expected to fall between 0.5 per cent and 1 per cent.

National economic prospects are clouded by a lack of skilled labour and the possibility of wage inflation, but the UCLA report says California's prosperity is attracting a strong flow of newcomers to bolster the rate of population increase to 1.7 per cent a year by 2000.

But even as net immigration climbs to 225,000 a year, unemployment will fall steadily from 5.8 per cent now, to match the expected national rate of 5.3 per cent next year, reaching 5.1 per cent in 2000. Jobs are currently being created at the highest rate in 14 years.

"Notable" damage caused by El Niño-related storms is mild compared with previous natural disasters. The negative impact caused by business developments such as the new wave of consolidation in financial services and job cuts in aerospace is also modest when compared with past experiences.

Running counter to the national trend, California is expected to continue to gain manufacturing jobs, especially in electronics, textiles and clothing.

The only significant negative elements featured in the report are rising pressure on housing resources and tightening labour markets. San Diego and Oakland have recently joined Silicon Valley, San Francisco and Orange County in the south where unemployment is 4 per cent or less.

Silicon Valley's Santa Clara County recently supplanted Honolulu as the country's most expensive residential area.

Bolivia to cut compensation to coca growers

By Sally Bowen in La Paz

The Bolivian government yesterday began to wind down compensation paid to individual growers of coca leaf – the raw material for cocaine – for uprooting illicit crops and replanting with legal crops. By October, individual coca growers will receive no compensation at all.

To soften the blow, communities will be compensated instead, but on a diminishing scale. President Hugo Banzer's government, which assumed office last August, aims to eliminate by 2002 all 38,000 hectares of illicit coca, leaving only areas planted prior to 1988 for legal traditional and medicinal uses.

There has been muted international applause for the five-year programme, dubbed "For Dignity", costing $952m. Almost three-quarters of the 1998-2002 total sought will go to alternative development.

Over the past decade, Bolivia's attempts to reduce the area under coca cultivation have had a patchy record. While vast areas of coca have been dug up, growers have collected their compensation and started again elsewhere. However, Rene Bastiaans, head of the UN Drugs Control Programme (UNDCP) office in La Paz, is optimistic about the new initiative. "For the first time ever, a Bolivian government has a clear plan at the start of its mandate and the intention to apply the law," he says. "If they can show results, they will get funding."

Despite the government's efforts to fulfil US pressure over coca reduction, US-funded assistance for fighting drugs in Bolivia is being cut from $48m last year to as little as $12m for 1998. This reduction has rankled Bolivia, which is also smarting from the US Congress allocation of $70m to assist Colombia, which lost its "certification" (official US approval of its counter-narcotics efforts) two years ago.

Bolivia cites its achievements in meeting US targets for coca reduction. Its 1997 target was met with 7,000 hectares of coca plantations ripped up. The area under illegal coca was reduced by a net 7 per cent, according to US State Department figures.

"The US position clearly lacks logic," says interior minister Guido Nayar. "We want the most powerful nation in the world to support us and demonstrate coherence in its policies." But whatever the amount of counter-narcotics assistance, he says, Bolivia will continue with its "national effort" and actively seek alternative sources of financing, notably from the European Union.

US banks suffer heavy defeat in fight against growth of credit unions

Richard Wolffe and **John Authers** report the bank lobby has killed a bid to end financial services industry regulations

US banks suffered an overwhelming defeat in their fight against the growth of credit unions yesterday, just hours after scuppering wide-ranging reforms of the financial services industry.

Congressmen voted by a large majority to overturn a recent Supreme Court decision to limit the right of credit unions to seek members outside their traditional base.

Credit unions were originally designed to encourage savings among co-workers, but have grown quickly since the early 1980s and now represent more than $316bn of assets from 70m members.

The US bank industry opposes the push for more members and says credit unions are becoming tax-subsidised banks.

Although banking lobbyists have lost that fight, they were celebrating the defeat late on Tuesday of the latest effort to abolish the Depression-era laws which regulate the US financial services industry. It was the 11th defeat of a banking reform bill since 1979.

After just two hours of debate, Republican leaders withdrew their bill to break down the divisions separating banks, insurers and brokers, citing the opposition from bankers.

Gerald Solomon, chairman of the House rules committee, said the industry had "waged a campaign never seen in my life" to defeat the bill.

Insurers suggested that there was now a strong chance that events in the marketplace would force the hands of legislators, in much the same way that moves by banks into the securities field forced earlier revisions of the traditional divisions under the Glass-Steagall act.

Sean Mooney, chief economist at the New York-based Insurance Information Institute, said that large insurers, including State Farm, had already taken advantage of loopholes in the law which allowed them to set up thrifts, rather than commercial banks.

These allow them to offer deposit-based savings accounts.

He said: "I think what you have now is the possibility that the markets will almost go ahead of the legislation. In the 1980s the insurance industry had drawn a line in the sand and banks were never going to be in our business. But there are too many participants in the financial services field now to approach the marketplace with that frame of mind. People are going to figure out ways to get into banking."

Merrill Lynch, one of the largest US investment banks, which has forcefully advocated change, made it clear that it still expected a reform to pass by the end of this session.

'I think what you have now is the possibility that the markets will almost go ahead of the legislation'

It said: "This Congress has made more progress on financial services reform than ever before, and we view last evening's development as a temporary delay."

In Congress, the Republicans faced mounting obstacles, including defections from their own party as well as Democrat opposition. The government has threatened to veto the bill in its current form, if congressmen voted it through.

John Boehner, one of the Republican leaders in the House, suggested the bill could return after the Easter recess. However, many banking lobbyists expect any future attempts to revive the bill to be postponed until next year.

The focus of financial reform will now turn back to regulators such as the Federal Reserve and the Comptroller of the Currency, which have done much to blur the lines between banks, insurers and brokers in recent years.

The American Bankers Association, which led the banks' opposition alongside large banks such as Chase Manhattan, yesterday denied it wanted to defeat any bill to reform the financial services industry.

"We do not want a bill that will roll back everything we have achieved over the last 30 years," it said. "But the problem now is that there is a lot of litigation with regulators which we have to face."

S Africa 'plot' more farce than thriller

By Victor Mallet in Pretoria

Was there a leftwing plot to overthrow the South African government? Or was there a plot by rightwing whites to destabilise the government by concocting an intelligence report suggesting an imminent leftwing coup?

Having dismissed the first suggestion as fanciful, President Nelson Mandela and his four-year-old government are now taking the second possibility – a rightwing conspiracy – much more seriously.

Yesterday Mr Mandela was presented with the findings of a hastily convened inquiry into the intelligence report which alleged a coup plot. He is expected to disclose the inquiry's recommendations and take action on them in coming days.

If heads are to roll, the most likely target is Georg Meiring, head of the South African National Defence Force who passed on the allegations of a leftwing plot to Mr Mandela in February.

Pakamile Mankahlana, Mr Mandela's spokesman, yesterday described as "totally flawed" the way the report had been compiled. "It is impossible to take the so-called Meiring report seriously," he said.

Government officials say it was obvious from an early stage that the leftwing plot theory was implausible, and they attribute the allegations to disaffected whites who regret the end of white minority rule. Among those said to be implicated in the report on a supposed left-wing plot are former ANC guerrillas, including Siphiwe Nyanda, the SANDF chief of staff who is likely to succeed Gen Meiring, and Winnie Madikizela-Mandela, the ex-wife of the president.

Mr Mandela insisted that the inquiry should investigate not the dubious contents of the report, but how and why it was compiled. But several questions remain unanswered. Why did Mr Mandela sit on the report between February 5 and March 28, and then suddenly call for an inquiry of three senior judges to report on the matter in three days? The government's explanation for this is that Mr Mandela had to act because the contents of the intelligence report were leaked to the press.

And what was the role of Robert McBride, an ANC member who was convicted under the previous regime for a bomb attack in Durban but later reprieved and became head of the foreign ministry's Asia desk?

Mr McBride was one of those named in the intelligence report handed to Mandela. The foreign ministry says he was not on government business when he was arrested in Mozambique allegedly for gun-running.

Only the South African and Mozambican authorities are likely to be able to cast light on the mysteries of Mr McBride and the alleged leftwing plot.

The anguished brother and sister of bombmaker Muhyideen al Sharif, insert. Israel denied involvement in shooting and blowing up the Hamas militant Reuters

Car blast man 'was Hamas bomb maker'

By Avi Machlis in Jerusalem

Hamas, the Islamic Resistance Movement, yesterday accused Israel of killing Muhyideen al-Sharif, a suspected Hamas bomb maker, the man found dead after a car explosion earlier this week in Palestinian-ruled Ramallah. The group threatened revenge, although Israel denied any involvement.

Initially it was thought a bomber had been killed while preparing an attack. But Palestinian authorities said Mr Sharif was shot dead and then placed in the car, which was blown up by remote control.

Hamas launched an intensive bombing campaign, killing dozens of Israelis, after its leading bomb maker, Yahye Ayyash, was assassinated by a booby-trapped cellular telephone in Gaza in 1996. Israel has never accepted responsibility. Since then, Israel has hunted Mr Sharif.

Egypt cracks down on press

By Mark Huband in Cairo

Egyptian authorities banned distribution of 36 newspapers and magazines printed in tax-free industrial zones yesterday in the latest action against the country's increasingly outspoken independent media.

A wide range of English and Arabic language newspapers will be affected by the ban issued on Tuesday by the General Authority for Investment (Gafi), which controls the tax-free zones.

Newspapers published in the free zones are subject to censorship both before and after printing. Only on receipt of written clearance and payment of customs duties may each issue be distributed outside the free zone.

Journalists regard the latest action as an attempt by political figures opposed to economic liberalisation to undermine the media in advance of any liberalisation of Egypt's political system.

"It's the function of the media that they don't like. If we move properly into the privatisation process, the entire power structure will change in Egypt," said Hisham Qassem, publisher of the Cairo Times, which is printed in the tax-free zone. "They want to get us now, because within a year they won't be able to."

Doubts have been raised over whether the Gafi has authority to ban distribution of publications. A government official confirmed yesterday "there is nothing in the [free zones] legislation affecting the press."

One official said the action was taken on orders of the prime minister, Kamel el-Ganzouri, who had become "thin skinned" in the face of criticism of government policy. "This is an example of the [reformist] pendulum hitting the other wall... It's one step back, but at some point – not next week, perhaps next year – there will be two steps forward."

Plea on human rights in Algeria

By Roula Khalaf in London

Human rights organisations are urging western governments to push for the appointment of a United Nations rapporteur on Algeria at the UN Human Rights Commission.

Algerian activists yesterday joined in a rally organised by Amnesty International at the British parliament. Salima Ghezali, editor of Algerian weekly La Nation, said she did not expect the west to solve Algeria's problems but at least to maintain pressure on human rights.

Human rights groups have for months been calling for independent investigations into the killings in Algeria. But Algiers rejects such demands and no western government appears ready to go as far as pushing for a rapporteur at the UN Human Rights Commission's meetings ending on April 23. The rapporteur would regularly report on abuses.

Human rights groups and western governments are now hoping that the UN Commission would at least lead to visits by special UN rapporteurs on torture and extra-judicial killings. The US is considering sponsoring a resolution to prod Algeria to allow these visits.

Algiers several years ago had accepted the principle of a visit by the two special rapporteurs but it recently rebuffed US and European Union requests for immediate access.

The Algerian government says the problem is terrorism by Islamist extremists, not human rights. Ahmed Benyamina, Algeria's ambassador in London, said his government would not bow to pressure and rejected politicisation of the human rights issue. "We resent that due consideration is not given to the democratisation of the country," he said, adding Algeria had submitted a human rights report to a UN committee.

World Bank's loans to prop up Asia leave little for the poor

Bailing out economies in crisis has weakened the bank and robbed it of funding for debt relief and soft loans, and for emergencies, writes Robert Chote

The World Bank has warned its shareholders that the unprecedented loan packages it has agreed for crisis-hit countries in Asia threaten to limit its ability to help poor countries and deal with emergencies.

This prospect is likely to create friction at the World Bank's spring meetings this month, with industrial countries pressing middle income nations to pay more to borrow from the Bank. They in turn will argue that the industrial countries are trying to avoid paying for their own pet projects.

Help for Asia and higher lending to eastern Europe mean that the Bank expects to disburse loans worth a net $11bn this year, far in excess of the $2bn pencilled in just four months ago. Disbursements next fiscal year are expected to hit $14bn.

James Wolfensohn, the World Bank president, will tell finance and development ministers this month that these disbursements – while necessary – are exacerbating the long-term weakness of Bank income.

Disbursements this year and next are forecast to be $16bn higher than the Bank expected last year. Under current rules, the Bank targets a loans-to-reserves ratio of 13-15 per cent and holds accumulated loan loss provisions equal to 3 per cent of outstanding loans. Maintaining this would mean provisioning expenses of $300m-$400m this year and next.

This would punch a big hole in the Bank's net income, which it has used in recent years to pay for debt relief and soft loans for poor countries and to finance emergency projects in Gaza.

Last year the Bank earned $7.2bn in interest on its loan portfolio and $834m from investments. After interest payments on its borrowing, administrative expenses and contributions to special programmes, this left net income of just under $1.3bn.

But the Bank's net income is now forecast to fall below $900m this year and lower still in fiscal year 1999. The precise level will be unclear until the board decides exactly how much to put in reserves. The Asian crisis will make the Bank's portfolio appear more risky, but there is an offsetting chance that some countries will follow Syria's example and start clearing their arrears.

In the short-term, this means that net income is likely to fall short of the demands on it. But the income gap is not simply a problem for this and the forthcoming fiscal year.

At last year's spring meeting, Mr Wolfensohn told finance and development ministers that the Bank's income was set to halve between fiscal year 1996 and fiscal year 2005. By fiscal year 1999 income would be too low to inflation-proof its $25bn capital base.

Income is falling in part because relatively lucrative fixed rate loans are expiring and because lending on the Bank's standard terms is no longer profitable at the margin. The Bank runs in the black only because its richer shareholders do not demand a dividend on their capital.

The Bank's executive directors are now discussing ways to boost its income. One suggestion, favoured by countries such as China and Korea, would be for shareholders to pay in more capital. This is most unlikely.

Another possibility would be to reduce administrative costs, but savings here are already being ploughed back into the Bank's frontline operations under a current internal reorganisation. There also seems little scope to reduce by much the scale of the Bank's operations.

Attention is more likely to focus first on the Bank's reserves policy, where money could be saved by assessing the riskiness of the Bank's loan portfolio in a more sophisticated way.

Directors are also discussing ways to raise more revenue. Officials believe that taking more risks with the investment portfolio could raise $150m a year. Charging a fee for programme preparation would also raise upwards of $140m a year.

The most controversial proposals involve increasing the cost of loans. Removing the 25 basis point interest rate waiver offered to borrowers that service debts on time could raise $260m a year in the short term.

But the long-term money spinner would be to raise the cost of new loans by 75 basis points – reducing their price advantage over private sector loans by a quarter. This would raise only $70m in fiscal year 1999 but $650m by fiscal year 2007.

These options should be welcomed by poor and industrial countries, but not the Bank's core middle-income clientele. This poses a political problem that militates against quick agreement, but Mr Wolfensohn knows time is running out.

MAD COW DISEASE COMMISSION SHELVES BAN ON CATTLE PARTS

Europe's BSE muddle averts trade war but fails to deal with threat to health

By Michael Smith in Brussels

Rarely has the European Union made such a mess of law-making.

On Tuesday evening it was six hours away from implementing legislation which, if strictly applied, would have halted billions of dollars of trade in life-saving medicines and other industrial products, and caused severe friction with the US.

The 15 EU nations had known for months that the proposed law banning potentially infectious cattle parts would have undesired and unintended consequences, but deep divisions prevented them from changing or delaying the ban.

A last-ditch deal was finally reached on Tuesday evening for a postponement from April 1 to next January.

But the European Commission, the EU executive, which has pushed for a ban as part of its fight against BSE, or "mad cow" disease, is wondering how it can meet member country demands that it change the proposed law to their satisfaction, even with nine months on its hands.

"They are keeping from me the secret of how we can find agreement," said a highly irritated Franz Fischler, agriculture commissioner.

The delay will also heighten fears among consumers about the safety of eating meat, particularly beef, if slaughter houses are not required to remove the cattle, sheep and goat parts, including brains and spinal columns, which the Commission wanted banned. BSE has been linked to CJD, a fatal disease affecting people.

Meanwhile, Commission and government officials will be analysing how attempts to protect consumers have gone so badly wrong, and how they can avoid such public division and prevarication in the future.

The Commission puts the blame firmly at the door of national governments, complaining yesterday that they would need to be more "constructive and co-operative" if a solution was to be found. However, some problems are its own creation.

It was pushed into an ultra-cautious stance on BSE last year when the European parliament threatened to sack it.

But Commissioners knew they had a struggle on their hands when they decided last July to go ahead with ban on "specified risk materials" in cattle, sheep and goats against opposition from seven of the 15 EU countries.

It could have ridden the opposition with the right legislation. But the proposed law was deeply flawed, not least because it imposed a ban on all use of risk material.

Commission officials will be analysing how attempts to protect consumers have gone so badly wrong, and how they can avoid such public division and prevarication in the future

This presented big problems for a range of industries including pharmaceuticals, cosmetics and even tyre making which use ingredients made from cattle and sheep carcasses.

The US, which has never suffered any BSE, said it would be too expensive to remove the specified risk material minutely present in billions of dollars of exports to the EU every year. It threatened a trade war.

US officials – and indeed their counterparts from EU countries – became increasingly frustrated with the difficulties in getting information about the ban.

Several commissioners and their departments had responsibilities for different aspects of the ban. Each had a different view, and diplomats complain co-ordination was poor.

Some Commission officials believe there should be rationalisation with food law responsibilities concentrated in fewer directorates.

That, however, offers little hope of a solution to the Commission's problems in finding agreement from EU nations for a risk material ban in the short-term. Nor is there likely to be one.

After failing to find a formula for the ban's first planned implementation on January 1, the Commission in March proposed a two-tier system which would allow countries to apply for ban exemptions if they could demonstrate they were free of BSE.

This enraged countries like the UK, France and Ireland which had already put bans in place. Countries like Germany which claim to be BSE-free were worried they could not prove it.

The result was a sclerosis in the decision-making system. Last week, a frustrated Commission said it wanted to withdraw the ban altogether so it could consult parliament and member states for a new proposal based on the latest scientific evidence.

Yesterday, the Commission made clear that this option – rather than a revision of the existing proposal – remained its favoured approach. That means there is unlikely to be a ban in place next January, since an agreement between member countries and parliament will take up to two years to negotiate.

Franz Fischler: irritated

Should consumers be worried? The latest advice from EU scientists is that the list of specified risk materials should, if anything, be getting longer. In their last communication to the Commission, they appeared to give partial support to the UK's recent decision to ban beef-on-the-bone.

Most continental Europe beef eaters will thus be able to carry on chopping T-bone steak to their heart's delight.

Governments appear to be taking the view that the scientists are being ultra-cautious. But if the BSE epidemic spreads to humans and specified risk materials prove to be the carrier, EU governments will have a hard time explaining the events of the last nine months to their electorates.

Chile plans $2bn weapons modernisation

By Imogen Mark in Santiago

The Chilean armed forces are going ahead with an ambitious programme of arms procurement to re-equip and modernise their arsenals.

The army is expected to announce a big new purchase within the next few days and plans to buy and modernise 100 AMX-30B2 main battle tanks from the French army, at an estimated cost of $100m. These are in addition to the 200 Leopard tanks they bought from Germany last year, for about $200m.

The air force has finished its technical analysis of four competing models of combat aircraft which it is considering. But General Fernando Rojas, the air force commander, said last week that they would not be drawing up a shortlist of two finalists, as had been expected.

Instead they are asking all four contenders – the Saab-British Aerospace Gripen JAS-39, the Mirage 2000-5, the F-16 C/D model from Lockheed Martin of the US, and the F-18 from McDonnell Douglas – to come up with proposals on finance.

So far the Chilean government has not asked for offset deals in investments or benefits. However, this is expected to be raised in the coming round of negotiations.

Saab, which is part of Sweden's Wallenburg group, is the only manufacturer to have offered offset investments, which it says would create between 5,000 and 10,000 jobs in Chile.

The initial order will be for 12 to 16 aircraft, worth $600m. But the air force has said it will gradually replace its combat fleet with a total of 60 aircraft exclusively with whichever manufacturer it chooses, so the final order would be about $1.8bn.

The Chilean navy opted last year to buy two Scorpene submarines, for $250m each, from a French-Spanish consortium.

There was a strong lobby from the German rival, the 209, and two other contenders, the British Upholder and the Swedish Gotland class submarines.

The Scorpene was the most modern and one of the most expensive options but had the added benefit of of a nuclear capability. The submarine, however, will be fitted with a conventional German-made engine. The submarines will replace two older UK Oberon class machines.

The Chilean armed forces have the unique advantage in the region that they have a guaranteed arms procurement budget from the sales of Codelco, the state copper company.

Codelco is obliged to hand over 10 per cent of its annual sales revenue, which is worth about $300m a year for the military budget. Before leaving power in 1990 the military also imposed a "floor" on the defence budget, which cannot be cut by Congress or by the executive.

Nevertheless, the Brazilian air force is also looking to buy 100 combat aircraft. A delegation visited FIDAE, the Santiago air fair last week, where the four contenders for the Chilean contract were all showing their aircraft.

- Australia has decided not to buy four large second-hand destroyers from the US Navy, Australian Defence Department sources said yesterday, Reuters reports from Canberra.

Media reports last month said the navy was considering buying four 9,600-tonne Kidd Class ships, to replace three 4,600-tonne Adams Class destroyers due for retirement.

The US ships were on offer for A$30m (US$19.8m) each, compared with a A$1bn price tag for new destroyers.

A spokesman for Ian McLachlan, the defence minister, said the plan was no longer being considered. "The navy may have had some thoughts about it, but it hasn't gone any further," he said.

US still pushing to bring down trade barriers

By Nancy Dunne in Washington

The US last year made progress against one Japanese trade barrier – keeping out racehorses.

The Japan Racing Association limits participation of foreign horses, but agreed to open its gates to foreign racehorses in nine events and will increase the number to 11 in 1998.

However, little else has changed in the bilateral trade relationship, except that the US goods deficit with Japan has risen from $47.7bn to $55.7bn.

The 1997 report on foreign trade barriers, released this week by the US Trade Representative, shows that "the administration continues to pursue improvements in market access".

US trade balance

Top 10 countries, ranked by US exports

$m	Trade balance 1996	1997	Chg
Canada	(23,922)	(17,926)	5,996
Mexico	(16,202)	(14,494)	1,708
Japan	(47,683)	(55,687)	(8,004)
UK	2,024	3,746	1,722
South Korea	3,916	1,906	(2,009)
Germany	(15,469)	(18,602)	(3,133)
Taiwan	(11,496)	(12,226)	(730)
Brazil	4,997	12,549	2,546
Singapore	(3,655)	(2,340)	1,315
France	(4,202)	(4,743)	(541)
World	(168,466)	(182,613)	14,127

Source: USTR

This is the 13th annual trade report. It used to be a feared and resented document following a 1988 law stating the Trade Representative must make its findings the basis for so-called "Super 301" complaints. Under "Super 301", those countries with egregious trade barriers were told to improve market access or face sanctions.

With the advent of the World Trade Organisation's dispute settlement system, the US has virtually abandoned bilateral sabre rattling and now takes most of its complaints to Geneva.

But the National Trade Estimates report remains as "a broad policy document highlighting US concerns," Jay Ziegler, spokesman for the Trade Representative, says. As such, its message to Japan has evolved considerably since last year, when the report placed elimination of trade barriers "at the centre of the US-Japan economic relationship".

This year, some 40 pages of individual industry complaints range from dietary supplements to worries over Japanese car dealers unenthusiastic about trying to sell American vehicles. On the plus side, the trade office has concluded deals to reduce or eliminate Japanese barriers affecting wood products, sound recordings, tomatoes, telecoms procurement, spirits and aviation.

But the report's emphasis was on structural and macroeconomic issues. It says the 1995 three-year Japan Deregulation Action Plan was ineffective because the most important recommendations were "often ignored" by the Japanese.

The trade office rests its hopes on last year's US-Japan Enhanced Initiative on Deregulation and Competition Policy seeking "significant" deregulation for telecoms, medical devices and pharmaceutical products, housing, financial services, competition policy, distribution and transparency.

The report has little new to say about its differences with the EU, where "restrictive distribution practices, tariffs and unpredictable product approval, labelling and licensing requirements have restricted market access".

It has added to the list of worries a new beef labelling law, because "a lack of timeliness in announcing and transparency in implementing these regulation could disrupt US beef sales".

The US merchandise trade deficit with China soared last year to almost $50bn. Beijing was praised for improving the transparency of its trade regime, but the report raises concerns about its trading rights system, which restricts the number of entities allowed to engage in international trade. In areas where demand exceeds supply, a large illegal grey market has developed.

Lottery group buys out GTech for $84m

By Schehérazade Daneshkhu and George Parker

GTech, the US lottery equipment supplier, yesterday ended its involvement in the running of the UK National Lottery after Camelot, the consortium which operates the lottery, bought out its stake in the consortium for £51m ($84m).

The continued involvement of GTech, which is under investigation for its fitness to be involved in operating the Lottery, had threatened Camelot's chances of having its licence renewed in 2001.

Meanwhile the government yesterday announced an overhaul of the regulation of the lottery, in an attempt to safeguard the image of the competition. Camelot has been under pressure to sever its links with GTech since Richard Branson's court victory in February over allegations that Guy Snowden, the former GTech director, tried to bribe him into pulling out of the race to run the UK lottery. Mr Snowden, who resigned from GTech and the board of Camelot, is appealing against the verdict.

GTech's sudden sale of its 22½ per cent stake in the lottery came on the day the government announced a big overhaul of lottery regulation. It plans to replace the director general of Oflot with a 5-member National Lottery Commission.

Camelot, which initiated the buy-out, said it was "the right response to the public mood for a largely British-owned operator of the National Lottery". GTech will continue to act as supplier to Camelot of lottery systems and services.

The stakes held by Cadbury Scheweppes, the confectionery company, De La Rue, the security printer, and Racal Electronics rose from 22½ per cent to 26.67 per cent. That of ICL, the UK computer offshoot of Fujitsu, doubled to 20 per cent.

GTech, which had previously said it could not envisage any circumstances in which it would sell its shareholding; said yesterday Camelot's offer represented a "good business decision."

● Fund managers have taken the unusual step of protesting to the government over a Budget increase in gaming duty.

Scottish Widows, Mercury Asset Management and Jupiter Asset Management are among the institutional investors in London Clubs and Capital Corporation, the two most affected casino companies, to have written to the Treasury.

Shares in London Clubs and Capital Corporation have fallen by 26 per cent and 20 per cent respectively since the Budget measure two weeks ago which increased the top rate of gaming duty from 33⅓ per cent to 40 per cent. The four casino duty thresholds were also lowered.

The measure, which came into effect yesterday primarily affects London casinos, which pay 80 per cent of gaming duty. London Clubs, the largest London operator, said if the increases had been applied last year, it would have paid 60 per cent of the sum.

EU rule on hours to include workers' exemption

By Robert Taylor in London and Michael Smith in Brussels

Employees in Britain will be allowed to work more than 48 hours a week under individual agreements with their employers in line with the government's proposal to implement the European Union's directive that seeks to restrict working hours.

The draft of proposed legislation will be published next week and becomes law in October. Trade union leaders fear the government has given ground to meet concerns of UK business organisations, which have lobbied for companies to have maximum flexibility under the new law.

Ian McCartney, the industry minister, said yesterday that millions of workers would gain new rights over work time, extra holidays and statutory breaks under the legislation. For the first time in UK law, he added, no worker could be forced by an employer to work more than 48 hours a week

Government officials believe their strict interpretation of the working time directive does not infringe it and will not face a legal challenge in the European Court of Justice. The last UK government claimed the directive was unlawful because it was not a health and safety measure and required a unanimous majority of EU states to secure approval. It lost its case.

In 1993 John Major, then prime minister, succeeded in inserting a clause into the directive which enables countries to opt out of the restriction on working hours for seven years if individual workers agree to work longer. It is this provision the Labour government intends to enforce in UK legislation, even where a collective agreement exists.

The European Commission confirmed there was an option allowing member states exemptions to working hour limits but stressed certain criteria had to be met. Employers needed workers' agreements and no employee should be penalised if unwilling to work more than specified hours.

Companies must also keep up-to-date records of arrangements for working hours longer than the 48 permitted. Officials pointed out that the exemptions option would be reviewed in 2003 and it was unlikely the commission would recommend it continued.

Pound's advance fails to deter German investors

Groups such as Siemens and Schmidt are confident, and a flexible workforce is still an attraction, **Peter Marsh** discovers

Schmidt, the German company which leads the European market in "mini" road sweepers, bases production at a factory in eastern England. It exports three-quarters of its output and has been suffering as the pound has soared above DM3.

"We have been forced to reduce our margins and are worried about what might happen if the pound continues to rise," said Andrew Jenkinson, UK sales director.

But sterling's strength is only part of the picture for Schmidt's UK operation, which is planning to keep sales this year at around last year's £20m ($33m).

The advance of the pound over the past 18 months – to its highest level against a basket of world currencies in nearly a decade – has driven the business to accelerate internal efficiency programmes and persuade UK suppliers to accept cost reductions.

It has also stepped up development projects based around new sweeper or drive techniques. "We are confident that our record on innovation will carry us through," says Mr Jenkinson.

These thoughts are echoed by other German manufacturers in the UK, many of which have stepped up investments as a result of Britain's relatively low labour costs and good record for many years since earlier strike-bound decades on worker flexibility.

A weak currency – which followed the Britain's 1992 exit from the exchange rate mechanism – was another draw. In 1996 German companies invested nearly £1bn in the UK, much of this in manufacturing. However, few German companies say the pound's sudden rise is enough to deter them from investing in the UK.

The UK arm of Siemens, the big German engineering company which employs 14,000 people in Britain, has annual sales of £2bn. Alan Wood, the chief executive, said: "My feeling is still one of confidence. It is not a German trait to make judgments based on short-term changes."

At the UK production operations of Germany's Linde, the world's biggest lift-truck maker, Wolfgang Geuecke, joint managing director, admits to some concerns.

The company's main UK plant, in southern England, exports three-quarters of its £150m a year output, mostly to other European countries where the machines become more expensive. Linde's UK managers can balance some of their reduced export margins with lower prices of imported, German-made trucks.

Overall, says Mr Geuecke, Linde's experience in the UK has been good.

"The currency changes in the past two years have wiped out the effects of our substantial UK productivity gains over the same time. Without the rise in the pound, our performance would have been fantastic," he explains.

Horst Bischof, UK managing director of Heraeus Noblelight, part of Heraeus, the big German instruments group, is worried mainly by the effects of the pound's rise on reducing demand from UK customers for Noblelight's specialist laser sources, used in industrial machines.

But he points to a range of benefits from a British production base.

"I like the flexibility and creativity that you find in the UK, particularly for people working in research," he says. "In Germany, the workers are good, but they are often [intellectually] slightly constrained."

Siemens chief speaks, Page 13

Ministers join style gurus to rebrand the nation

FT Reporters in London

Robin Cook, the foreign secretary, yesterday announced the creation of a 33-strong panel of luminaries to transform Britain's image.

Panel 2000 – which includes an eclectic mix of style gurus, politicians and donors to the governing Labour party – has been charged with selling Britain as a nation of flair and innovation.

Tony Blair, the prime minister, will today join the effort when he tours a a temporary design showcase housed in a big grey tent in Horseguards Parade, near the Houses of Parliament.

The location of the "powerhouse:uk" exhibition appears to have been chosen to represent "new Britain" at the heart of a London district associated with royalty, pomp and ceremony.

Mr Cook, who has been presenting a rather confrontational image of the UK on his recent overseas trips, yesterday lent his weight to the rebranding exercise. Mr Cook said: "There could be no more important task for the Foreign Office than to convey to those around us a positive and accurate image of the modern Britain."

In the vanguard of the Cook revolution are such talents as Stella McCartney, the designer, Judy Simpson, the athlete, Ruth Mackenzie of Scottish Opera, and Zeinab Badawi, a television news presenter. The panel will be chaired by Derek Fatchett, a Foreign Office minister.

Francis Maude, the culture spokesman in the opposition Conservative party, dismissed government attempts to re-brand the nation. "Labour is uncomfortable with the past because of its own ignominious history," he said.

NORTHERN IRELAND IMPASSE CENTRES ON REPUBLIC'S TERRITORIAL CLAIMS

Exasperated Blair in talks plea

By John Murray Brown in Belfast

Tony Blair, the prime minister, signalled his exasperation with the stalled Northern Ireland peace talks yesterday, urging recalcitrant pro-British unionists to seize the opportunity for a deal.

"It is an historic opportunity," he said in the House of Commons. "It will come this generation and maybe not in future generations. So please for goodness sake, help us get to where the vast majority of the people of Northern Ireland want to be."

The evident frustration in the prime minister's remarks point to the difficulties facing the talks, which yesterday hit a new impasse as John Taylor, the Ulster Unionist deputy leader, warned there would be no negotiations until the Irish government indicated it would remove the territorial claim to Northern Ireland in its constitution.

Liz O'Donnell, the Irish republic's deputy foreign minister, accused Mr Taylor of "political immaturity". Ms O'Donnell, who was visiting Northern Ireland, said it was "quite unfair at this late stage" for unionists to be making such demands without giving any ground on nationalist demands for powerful north-south institutions.

● The UK government yesterday rejected United Nations demands for a fresh investigation into the murder of a Northern Ireland lawyer. "Unless new evidence is brought to light, there could be no justification for another inquiry, although the police file remains open," a government statement said.

Pat Finucane was shot dead by anti-nationalist paramilitaries at his home in north Belfast in 1989. A report on the case has been drawn up by Malaysian jurist Param Cumaraswamy, the UN Human Rights Commission's special rapporteur on the independence of judges and lawyers. He called for a new investigation after colleagues of the dead man claimed the police deliberately endangered him by accusing him and other lawyers of being linked to the Irish Republican Army.

Adam Ingram, Northern Ireland security minister in he UK government, said the accusations were a matter of "considerable concern" and if there was new evidence the government would want to ensure it was examined. The government accepted that aspects of the system of investigating complaints against the police were "failing to inspire public confidence".

Mr Cumaraswamy had urged the government to appoint a judicial inquiry to investigate the murder and to set up a tribunal similar to that which is to re-examine the 1972 "Bloody Sunday" killings by British soldiers in Londonderry.

European climate warms for growing businesses

London conference set to stimulate debate on how the EU can echo entrepreneurial success of US, says **Katharine Campbell**

Chris Evans, the biotechnology entrepreneur, derives wry amusement from a remark made to him after a particularly frenetic period of activity among his portfolio of young companies last summer.

"For one of our most enterprising young men, you don't half take some risks," said a senior member of the British establishment, apparently without irony. Mr Evans also chairs the task force of entrepreneurs and government officials (BEST) set up at last year's EU summit in Amsterdam.

Gaining a better understanding of what is meant by entrepreneurship is the purpose of the UK government's Enterprising Europe conference in London next week. Barbara Roche, the minister for small firms, says: "It is all about raising the profile of enterprise."

As the flagship event in the area during the UK's presidency of the European Union, the conference is intended to stimulate debate about how member states can create a better climate for growing businesses. Professor Daniel Muzyka at Insead says: "As you look across Europe, there is a gathering realisation that the economic renewal function is not operating as well as it should."

The US is reckoned to have created about 7m new jobs this decade in a period during which Europe, despite the unification of Germany, has lost jobs.

The 300 delegates have completed a questionnaire from Professor Sue Birley at Imperial College Management School, London. She says the results – "just a bit of fun" – show that three-quarters claim to have the right sort of entrepreneurial attitude. "They all agree they should be creative and understand their customers. The question is, what is the reality?"

It is hard to pin down what might emerge from the conference. But the European Commission will at least get some food for thought in June from the BEST task force which is to come up with 20 or 30 recommendations at the EU summit in Cardiff, south Wales, of how to improve the climate for growing business.

A significant initiative is expected on a guarantee system for bank finance of start-up companies. There will be a section on education and training. "My impression across Europe is that the entrepreneurs themselves tend to be quite good but the managers, the rest of the team, are often distinctly flakey," says Mr Evans.

He says he also wants to simplify regulations in areas such as health and safety. The spirit of the rules should be enforced with, say, a single visit from the relevant official, so that companies no longer have to plough through layers of irrelevant compliance.

Competition proposals 'are flawed'

Most leading UK competition experts think the government's competition bill is flawed and should not be enacted by parliament in its present form.

According to a survey by Global Competition Review, a specialist publication, 58 per cent of lawyers and 63 per cent of economists believe the bill is badly drafted and will lead to uncertainty which could damage British business, Robert Rice writes.

The bill is designed to bring the UK's competition regime into line with the rest of the European by introducing a ban on anti-competitive agreements and abuse by a company of its dominant position in a market. Companies that flout the new laws face fines of up to 10 per cent of their UK turnover.

Lawyers appeared concerned that the bill would make the UK the most regulated economy in Europe.

"There's certainly a risk that this level of regulation will have a chilling effect on innovation in the UK," said Linda Martin Alegi, a partner of Baker & McKenzie, the City of London law firm. Almost two-thirds of respondents also expressed serious doubts about the powers given to utility regulators.

NEWS DIGEST

EFFECTS OF STRONG POUND

Manufacturing data show strong domestic demand

One in four UK manufacturers reported lower export orders last month in a survey, blaming the strong pound and the east Asian economic turmoil. But the monthly survey by the Chartered Institute of Purchasing and Supply found that manufacturing output continues to increase, meaning that demand within the UK continues to be strong. The survey, of managers responsible for budgets worth £750bn ($1.252bn) at 300 industrial companies, found that orders from outside the UK fell in March for the third successive month.

But the benefits for manufacturers of the strong pound – which is 30 per cent higher on a trade-weighted basis since mid-1996 – were also shown. Nearly a quarter of all companies reported paying lower prices for their raw materials and inputs. The survey noted: "Weaker worldwide demand for many commodities stemming from the east Asian crisis and the need for domestic suppliers to compete with cheaper imports enabled an increasing number of firms to negotiate lower prices with suppliers." **Richard Adams, London**

Lex, Page 19

PRIVATISED UTILITIES

$18bn cut in earnings base

Asset values on which returns of privatised utilities are calculated have been cut by more than £11bn ($18.4bn) since 1994 as government and industry regulators have moved to curb prices and prevent excessive profits growth, economists were told yesterday. National Economic Research Associates said the reduction in the regulatory asset base of private utilities had reduced their potential earnings.

The consultants said that moves by regulators and government to reinterpret rules had caused unnecessary uncertainty, making it more difficult for utilities to raise finance from bankers and shareholders.

Graham Houston, an associate director of the consultants, warned that investors were likely to feel further pain. "Regulators have flagged up the equivalent of a further £5.5bn reduction in asset values of private utilities when they conduct the next round of prices reviews." **Andrew Taylor, London**

FINANCIAL WATCHDOG ACTS

Dealer's world assets frozen

The Financial Services Authority has won court orders in London against Steven Rhodes, an unauthorised share dealer who, it claims, offered shares in a US company to investors in Ireland, Jersey and South Africa.

About £250,000 ($417,500) is believed to have been taken from investors who were told they were buying shares in International Resorts and Entertainment Group, a Florida-based hotels company. Although some investors received certificates, the US group told them the purchases were "null and void," the FSA said. Joey di Francesco, the US company's president, said yesterday Mr Rhodes had failed to transfer the money for the shares.

The orders freeze the worldwide assets of Mr Rhodes and restrain him from carrying on unauthorised investment business in the UK. **Clay Harris, London**

WARTIME RESTITUTION CLAIMS

Report may face delay

Ministers are reconsidering their decision not to allow up to 25,000 individuals to claim back assets worth up to £33m ($55m) at 1939 prices which were taken from them during the second world war. The rethink has put in doubt plans to publish this Friday a report detailing how the government confiscated assets from nationals of Germany and other enemy countries, including many who were victims of the Nazis.

Last weekend, the government's trade and industry department said it was poised to pay some compensation, thought to be about £2m, to a charitable fund which supports holocaust survivors and their heirs. Although this was the first signal of a possible shift towards accepting the principle of restitution, it failed to satisfy campaigners who want individual victims or their families to have their assets returned.

Lord Janner, chairman of the Holocaust Educational Trust, said: "What matters to us is that the government accepts the obligation to repay the assets of Nazi victims, and to set up a claims resolution procedure." **Simon Buckby, London**

INTERNET CORPORATE WEBSITES

Adrift on an electronic ocean

Many company sites manage to lose users after only two clicks, says Andrew Baxter

Could try harder. Plenty of room for improvement. Can do better. It looks as if the clichés that teachers once sprinkled regularly over school reports can now be applied to corporate web sites too.

That is the main conclusion to be drawn from a study* of 100 sites owned by some of the world's biggest and most successful companies. Just three sites – those of Sun Microsystems, AT&T and Bell Atlantic – provided a relatively high level of content and activities for all three main types of users: customers, prospective employees and shareholders.

The study by California-based Shelley Taylor & Associates uses proprietary research techniques based on nearly 200 evaluation criteria, and was designed to help companies find ways to improve corporate performance. Can customers, for example, make purchases online? Will prospective employees find the information they need and submit applications online? Or can investors review key financial data and contact investor relations?

Shelley Taylor, managing director of the consultancy, says companies can learn from the best practice of the "stellar few" how to take advantage of the web to strengthen relationships with these three key external user groups.

The good news is that some companies clearly demonstrate an understanding of at least one of these user groups. Unfortunately, the other two groups are often ignored, leading Ms Taylor to conclude that, in these companies, web site design and implementation are not being centrally managed. "These companies run the risk of losing competitive advantage with their other key audiences," she says.

Another group of sites is identified which provides basic information to all three external audiences, but not enough of it to satisfy any of them. On top of that, there are not enough signposts to help users find what they want or determine quickly enough that the information is not there. These companies are guilty of mediocrity, says Ms Taylor, and are likely to leave site users frustrated.

The worst companies, meanwhile, appear to place very little value on the web as a strategic communications medium, and seem to have no systematic approach to web design or content, the study says. "Whether this is due to lack of insight on the part of management or lack of information is impossible to say," it adds.

Running through the study is a strong emphasis on the need for better navigation to help site users find their way to the information they need. Only 42 per cent of sites provided global navigation, which enables the user to navigate between main sections of the site without having to go back to the homepage. This leaves users lost in space after just two clicks.

Local navigation, which works the same way with a section of the site, (for example, from "submit application" to "search for jobs" in the employment section), was provided on only 22 per cent of sites, while site maps were only supplied by 38 per cent.

Navigation is one of several areas where some intriguing national differences emerge. The five Swiss sites in the sample scored well on navigation, as did the Canadians, but the UK and US came bottom and next to bottom respectively. Ms Taylor suggests that might be down to a certain technological arrogance in both the UK and US. "American sites tend to rely much more heavily on the latest sizzle, utilising applications that make the pages fun to look at but not necessarily easier to find," she says.

In contrast, US and UK sites are the only ones to offer online shopping, while US sites, perhaps not surprisingly given the country's strongly-rooted customer service mentality, offered the highest level of both after-sale service and descriptions of customer policies and practices. Almost none of the non-US sites offered product support online. Yet, overall, the highest level of customer information was provided by French companies – they seem to be much more "big picture thinkers" than their counterparts in other countries, says Ms Taylor.

Further national differences emerge in the sections aimed at prospective employees, who are the most neglected of the three external audiences. Two-thirds of sites offer some information, but only 22 per cent enable potential employees to look for jobs according to any search criteria.

US and Canadian companies are most likely to allow online job applications: 45 per cent of US sites surveyed allow it, compared with just 13 per cent of UK companies. Many companies fear they would need additional manpower to review online job applications, says Ms Taylor. But, she points out, companies such as Cisco Systems in the US use keyword recognition software to filter applications, and can process huge numbers of applicants.

**The Missing Link. Shelley Taylor & Associates.$2,750. Tel US, 650 473 6514. E-mail answers@infofarm.com*

FT WEBSITE RELAUNCH

Tricky task of making things simple

Paul Maidment on the rebirth of a multi-role, 75,000 page site

"If we were two guys in a garage, we could knock this site out over a weekend" said one of *FT.com*'s redesign team at a frustrated moment. "It's only because we are part of an international media group that we can't."

The redesign of the Financial Times website, *FT.com*, launched today, gives a half-lie to the belief that the world wide web lets anyone be a publisher.

True, $99.95 site-builder software and the 5MB of server space free with most dial-up internet access accounts is enough for a personal page or two. A site that offers upward of 75,000 pages, most of which change daily or more frequently, and incorporates extensive financial data feeds, is of a different order.

Redesigning a site of that scale takes time, resources and expertise. It has not been only a matter of size. The scale of our ambition has increased because of a reorganisation of the Financial Times group.

One aim was to combine the existing site, an online publication used by individuals, with those of FT businesses that aggregate content for electronic delivery to companies' information systems. This reflects the convergence of news and information at the desktop in the real world.

FT.com now has multiple roles: first, to be the online edition of the newspaper, qualitatively different from any other but still identifiably one; second, to be an electronic gateway to the business information and financial data produced by Financial Times businesses for companies; and third, to support the group's products and services.

The editorial pages remain the heart and soul of the site. We have reorganised the sections. There will be a stronger emphasis on "same day" news, the first step towards increasing the immediacy, depth and interactivity of the site.

The main benefits are better sign posting to the depth and richness of the site and an ability to get round it more swiftly and easily. Our navigation uses menus and keeps links to all the main sections on each page. We have also cut navigational graphics and rely more on typography.

Our users are busy people. Making the site simple, elegant and easy to use are just as valuable time savers as being authoritative, concise and comprehensive. No garage-dwellers, we are just too true to be cool.

Paul Maidment is editor of Financial Times Electronic Publishing.

TECHNOLOGY WORTH WATCHING

Farmers tap into river power for irrigation and energy

An environmentally friendly turbine that is powered only by the flow of water, but that can irrigate 5,000 hectares of land, could help small farmers in developing countries, writes John Madeley.

In the Indian state of Uttar Pradesh better-off farmers have installed diesel or electric pumps to lift water from rivers and streams to irrigate their crops – but for most the cost of fuel is too high.

Mangal Singh, a local farmer, has harnessed the natural flow of a river near his village to lift water for irrigation, and also to provide a source of energy for other purposes.

The Mangal Water Wheel Turbine Pump is built from locally available materials and requires no diesel or electricity to operate; its only source of energy is a fast flow of water.

Even for farmers who can afford fuel, the Mangal pump is a considerable advantage – especially in remote areas where supplies can be erratic.

The system uses either one or two wheels, 2m in diameter, which are installed on a fast-flowing river and connected to gears. Where the wheel hits the water, the water needs to be 1m deep; this can be achieved by low-cost check dams if necessary. The water moves the wheel fast enough to drive a centrifugal pump via the gears.

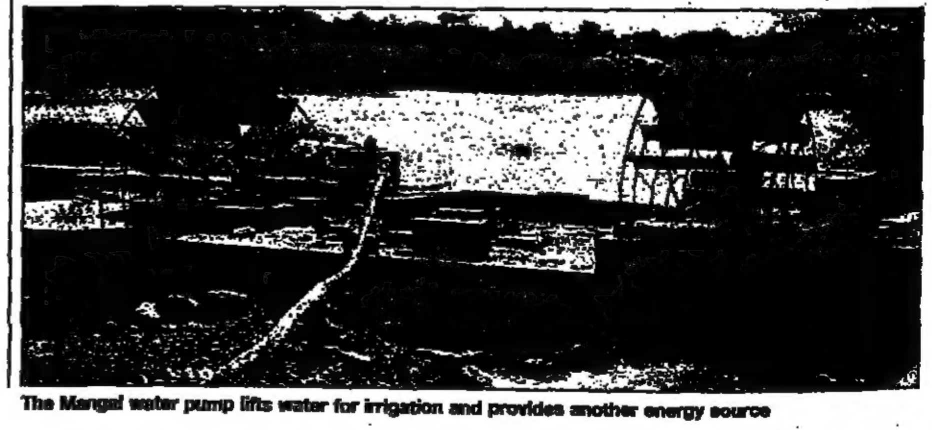
The pump draws water from a reservoir, which must also be created for the system to work, and a pipe connected to the pump carries the water up to 10km to the fields.

Operating costs are negligible and energy conversion efficiency is high, claims Mr Singh, who says the amount of water lifted for irrigation purposes is much greater than with fuel-driven pumps. Excess power can be used for agricultural tasks such as operating a flour mill, sugar cane crushing, and threshing and expelling oil.

The development of the turbine won Mr Singh an Innovative Farmer Award from the United Nations International Fund for Agricultural Development. The turbine was shown at a recent exhibition of technology at an Ifad meeting in Rome. Its current price is about Rs500,000 ($13,000) and Mr Singh believes the simple design is suitable for other parts of the developing world.

Shantanu Mathur, Ifad technical adviser, says the cost "could be significantly reduced as we jack up the scale", and that a single turbine could serve several villages.

Mangal Singh, Bhailonlioch, Block Bar, Dist. Lalitpur, U.P. 284 123, India.



The Mangal water pump lifts water for irrigation and provides another energy source

IN BRIEF

Cheap buckyballs may pave way to commercial use

US researchers have achieved a ten-fold reduction in the cost of making buckyballs – the football-shaped carbon molecules identified in 1985.

Buckyballs, also called fullerenes, are usually made using a labour-intensive, carbon-arc process that costs between $1000 (£600) and $2000 for each pound of the chemicals produced. TDA Research, based in Colorado, has designed a machine that uses a continuous combustion process, cutting the cost to $100-$200 a pound and allowing the production of a ton or more a day.

Overcoming the problems of cost and availability may pave the way to commercialising buckyballs. TDA Research, addressing the American Chemical Society in Dallas this week, said that the first uses of buckyballs could be in medical applications that exploit their anti-oxidant properties.

TDA Research: 12345 W 52nd Avenue, Wheat Ridge Co, USA 80033; http://www.tda.com/

Golf balls that go where you want

Golf club makers sometimes use a technique called perimeter weighting – moving the weight from the centre of a club to the outside – to make woods and irons that are more forgiving.

Top-Flite, a golf equipment manufacturer owned by Spalding Sports, has adapted the principle to make a perimeter weighted golf ball. The weight of the ball was moved from the core to the outside of the ball. It was given extra strength by adding a layer of titanium just below the surface. This increases the ball's moment of inertia to help bring off-centre shots back to the target.

The balls were produced to enhance the performance of two brands of drivers, made by Callaway and Taylor Made. They cost about $60 a dozen.

Spalding Sports (UK): UK, tel (0)1954 781672; fax (0)1954 782496.

'Superacid' breakthrough

Chemists in the US have developed a new variety of "superacids", which have potential applications in fuel cell technology and the chemical and petroleum industries.

Superacids – defined as being stronger than pure sulphuric acid – have important applications as catalysts because, unlike ordinary acids, they can react with hydrocarbons such as petroleum oil.

They work by breaking hydrocarbons into highly reactive ions that can then break down numerous other compounds. But superacids are usually very difficult to use because the negatively-charged anion swiftly reacts with the positively-charged cation.

Researchers at the University of Southern California have got round this problem with the discovery of an exceptionally inert anion. This anion, which is called a carborane, could be the basis for a new generation of superacids that are easier to use than their predecessors.

University of Southern California: US, tel 2137404750; http://www.usc.edu/

Vanessa Houlder

CINEMA

Scorsese's homage to serenity

Nigel Andrews finds beauty and violence mix well in 'Kundun'

'Kundun': Tensin Gyatso, the true-life child chosen to be the Dalai Lama in 1937, is played by four non-professional actors

In the eastern hemisphere, violence and beauty are sworn companions. Only riffle through your nearest pocket encyclopedia, as I did idly the other day. "Koala", the cuddly-but-fierce eastern Australian marsupial, sits next but one to "Kobe", the scenic but devastated Japanese town. And between the two comes "*koan*", the Zen Buddhist term for an instructional riddle or paradox.

Here is a cinematic *koan*. Why at the midpoint of Martin Scorsese's *Kundun* – a film on those very themes of beauty and violence – does one develop a sneaking passion to see it again even though one hasn't been enjoying it?

As a popcorn-reared westerner I warmed to the film the moment the People's Army marched into Tibet. "Your Holiness, the Chinese have invaded," someone alerts the Dalai Lama, whereupon the entire British press corps began to sit up. Before that, we had been swimming through beauty, endless beauty. Scorsese does nothing by halves. When the director of *Goodfellas* hangs up his machine-guns, he goes straight for the Tantric serenity.

For an hour, *Kundun* is so thick with inaction that we are fooled into believing nothing is happening. Four consecutive non-professional actors play Tensin Gyatso, the true-life child picked in 1937 as the 14th incarnation of the Dalai Lama, as he grows from infant to boy, from youth to man. Meanwhile, we spectators feel fixed on an eternal wheel of wine-red Tibetan robes, yellow-golden light, rainbow-coloured sand paintings and infinite-recurrence Philip Glass music.

In that first hour, we have a terrible fear. Is this going to be Scorsese's *Amistad*? A month after Spielberg's PC magnum opus, will gorgeous sound and imagery once more be yoked to sanctimonious historical hindsight?

But *Kundun*'s humanising, dramatic second half makes us want to go right back to

KUNDUN
Martin Scorsese

ULEE'S GOLD
Victor Nunez

MOUSEHUNT
Gore Verbinski

SPHERE
Barry Levinson

OSCAR AND LUCINDA
Gillian Armstrong

the first. These later scenes do not just have the power of pages torn from visceral history: the sand-goggled Chinese army tramping through desert miasmas, the tête-à-tête between Mao and the Dalai Lama (funny, poker-faced, horrible), the mountaintop funeral of the Dalai's father.

These later, stronger tableaux reawaken themes and motifs that lay dormant – or our responses did – in the film's early half. Death, beauty, desecration, redemption. Knowing he cannot convey every minutia of Buddhist religion and philosophy, Scorsese with screenwriter Melissa Mathison (of *E.T.*) uses metaphors and parallelisms. So the visionary yearning of the Lama and his monks is translated as literal "seeing". The film makes play with spectacles, telescopes and, in early scenes, low or tilted child's-views of the looming, encroaching adults. Those views, in turn, prefigure the grimmer encroachments of the Maoist invasion.

In the Buddhist sand paintings, delicate and intricate, we see the fragility of a people's way of life: though the film's most dramatic *mandala* is of Scorsese's own creation. In one shot the camera rises up, up, up above the standing figure of the Dalai Lama to reveal a crimson sea of slain monks around him. It is like *Gone With The Wind*'s famous shot of the Atlanta dead, refigured for an Oriental sense of epochal doom.

Though there are few other showstopping moments, there are several quietly heartstopping ones. For *Kundun* bears witness to a society that doesn't require the tripwires of melodramatic sensation, the "And thens?" and "What nexts?" The most touching moment in the film comes when the Dalai Lama hears the aggressive dinning of a Maoist patriotic song on the street. "They have taken away our silence," he says.

This is a world that, for all its own dictatorial dogmas and theocratic fiats, at least asserted a life in which the exercise of thought and love of beauty had space and peace in which to flourish.

•

Ulee's Gold is about the redemption of a beekeeper. No one can hide away for ever, says writer-director Victor Nunez (of *Ruby In Paradise*), not even an emotionally bruised Vietnam veteran (Peter Fonda) who lives in darkest Florida tending insects and two granddaughters. The world will break in, as worlds do. So enter Fonda's drug-deranged daughter-in-law plus two crooks looking for his convict son's stashed loot.

It ends in tears, but up to then it is more yawns. Fonda earned an Oscar nomination for his stoically weathered apiarist. His lean, subtly reactive parcelling out of emotions is exactly right. But all around him the clichés swarm, right up to a corny thieves-fall-out finale in a spooky swamp.

Mousehunt and *Sphere* share the week's prize for "Unusual Twist on an Old Dark House Theme". The first spends 30 minutes promising happy delirium as Nathan Lane and Lee Evans play semi-bankrupt brothers trying to chase a mouse from their heirloom mansion. The animal outwits everything and everyone, from a roomful of canapé-baited traps to a killer moggy called Catzilla, via Christopher Walken's deranged pest controller.

Then the script tires and so does ex-TV commercials director Gore Verbinski (the man who brought you those canyon-leaping Nikes). Though things rally for a final effusion, with Evans doing a fine St Vitus party piece as a man with rodent-invaded trousers, the film is not quite the mouse-genre *Citizen Kane* it first looked.

In *Sphere*, Dustin Hoffman, Sharon Stone and Samuel L. Jackson dive to the sea-bed to make sense of an old Michael Crichton novel. It is more than the audience can do, as a mysterious sunken spaceship sends out hallucinations ranging from fanged sea-snakes to cloned research colleagues.

Trapped in their deep-sea craft, the cast emote and gesticulate like mad as if suffering decompression at the Actors Studio. What started out as an improbable project for director Barry Levinson (*Diner*, *Rain Man*) ends up as an impossible one. But then probably no one could have made sense of a film that resembles *20,000 Leagues Under The Sea* reworked by Jean-Paul Sartre.

The scenery is gorgeous in *Oscar And Lucinda*, directed by Gillian Armstrong from Peter Carey's Booker Prize-winning novel. The glass church floats down the river as if dreamed up by Werner Herzog. And the story of a mildly mad pilgrim priest (Ralph Fiennes) and his architectural dream reaches parts of Australia untouched by travelogues. Not just rivers but vast heaving flanks of green mountain-range or forests speared by magical sunlight.

The actors cannot quite keep up. Fiennes strains every mystical sinew as the pipe-dreaming Plymouth Brother – but it *seems* a strain. Less would have been more. And the fine Cate Blanchett is lost in the story's increasingly ineluctable backwash of poetic beautitude.

Return without shame

MUSIC

ANDREW CLARK

Giuseppe Sinopoli and the Royal Philharmonic

In the four years since Giuseppe Sinopoli last conducted in London, his career has slumped, while the fortunes of the Philharmonia, of which he was music director for 10 years, have steadily risen. Clearly, there was no love lost between them, because the orchestra has never invited him back, and Sinopoli has aired his views about UK plc at every opportunity. In an interview with the German newspaper Welt am Sonntag, he once summarised the English as "arrogant and miserable", and said he was glad to see the back of them.

It takes a certain amount of cheek to make such comments and then turn up on London's doorstep. But beggars can't be choosers. Sinopoli was back on Monday to make his debut with the orchestra currently lying bottom of London's league table, the Royal Philharmonic, and at the worst venue, the Royal Albert Hall. Having been comprehensively dumped on from afar, the "arrogant and miserable" English, I am happy to report, did not respond in kind. There was a reasonably good turnout for Sinopoli's all-Strauss concert, and he was politely received.

The programme, comprising *Metamorphosen*, the First Horn Concerto and *Also sprach Zarathustra*, underlined how little Strauss changed in 60 years of creative life. *Metamorphosen* did not make the best start. There is no reason why 23 solo strings should not make an impact in the vault-like recesses of the Albert Hall. Thanks to Sinopoli's wildly fluctuating tempos, however, this public act of mourning for Germany's war-bombed cities sounded alternately apologetic and celebratory, with muddied textures at the very places where Strauss's baroque counterpoint requires utmost clarity.

John Bimson, the RPO's long-serving principal horn, surmounted the concerto's technical hurdles with tact if not with flying colours. Instead of the usual extrovert, go-for-bust approach, Bimson stressed Mozartian fluency and mellow warmth – a Falstaffian response to the youthful exuberance of the music.

For *Zarathustra*, the orchestra pulled out the stops, and Sinopoli was in seventh heaven. This is the kind of shameless, shapeless music in which he excels – and for which the copious acoustic of the Albert Hall is ideal. Sinopoli rammed home the contrasts between robust Technicolor and nocturnal spirit, and the RPO's excellent woodwinds were clearly out to enjoy themselves. The strings sounded rich and incisive, the brass were immaculately tuned and there was plenty of detail to savour: on this form, the RPO is as good as any other London orchestra. If only it could play like this all the time.

Voyage round the heart

THEATRE

ALASTAIR MACAULAY

Closer
Lyric Theatre

The thrill of Patrick Marber's 1997 play *Closer* has a very strange tension in it. On one hand, its four characters sound recognisably and naturalistically "now" in each line they speak: f-words and c-words abound, as does intense talk of sex and of life today in London and New York. On the other hand, the drama that develops between them feels far from naturalistic; it is brilliantly polished, rhythmically strict, with a mordant wit that reminds me of that most classical dramatist, Racine.

Such a play is not to all tastes. Since its National Theatre premiere last May, I have met a few people who object to it in small or large ways. "Not real enough" and/or "poorly characterised" seem to be the main gist of their objections. These are fair points, save that they miss the point; the same objections could be levelled at Aeschylus or Racine.

Closer seems to probe deeper than individual character; it charts some of the most ambiguous areas of emotional dependence and independence, and of the human need both to be known and to be unknowable, areas where very different people can find themselves alarmingly alike. It should be seen, and should be talked about; the fact that it has just opened in the West End is very good news.

Marber has, I believe, drawn the dramatic idea of *Closer* from Racine's *Andromaque*. A loves B, B loves C, C loves D. However, when C decides instead to marry B, A's suffering is extreme. But, whereas Racine's characters were royal, three of Marber's characters are middle-class, one working-class. Marber's drama is on a domestic scale, and yet he develops it with classical precision, plotting his quartet of characters – in a series of scenes set over several years – with interconnections yet more intricate than Racine's. You see, in Scene One, the apparently Edenic innocence with which Alice meets both Dan and Larry; by Scene Two, not only is Dan living happily with Alice, but, on meeting Anna, he is at once needing to pursue her too; and it is no friend who tells you how, in Scenes Three and Four, Dan sets Larry up to meet Anna. And so forth, and so around, and so back again.

The play's characters are heterosexual, but it touches superbly, particularly with Dan and Alice, on sexual ambiguity. Dan knows, disarmingly, how to express female sexuality (and enjoys doing so), Alice knows disarmingly that her girlish appeal to men is in fact partly boyish. Dan and Larry, as they become variously involved with Alice and Anna, develop a highly complex competitiveness.

From Scene Three on, Marber has planted in our heads the suggestion that Dan is in fact imagining making love to Larry, and it is a suggestion that, never realised, haunts the sexual power politics of the play. Meanwhile it is the womanly Anna who best expresses, with deadly wit, a woman's need for sexual love and, at the same time, her awareness of the problems of being encumbered with any man.

Neil Pearson and Frances Barber in 'Closer' Alastair Muir

This play is both actor-friendly and actor-challenging, and has been exceptionally well played on each occasion I have seen it. Liza Walker still plays the role of Alice with perfect lost-waif, street-wise allure, but it is fascinating to see how much of the drama seems to change with each change of cast in the other three roles. Frances Barber now inherits the role of Anna. Although at a couple of moments her timing is too neat, the part fits her like a glove. Lloyd Owen is, I think, the best Dan to date, urbane and boyish, assured and immature; and Neil Pearson's Larry – funny, virile and vulnerable – rounds off the quartet to something close to perfection.

Closer lives in the line, and sometimes its every line comes like a new turn in the plot. Some lines have the bleak irony of Beckett, and others have a more poetic dazzle: *Larry:* "Have you seen a human heart? It looks like a fist wrapped in blood." The mixture of slickness and rawness, of poised veneer and psychological urgency, is the play's very essence.

Closer is about our need both to open ourselves truthfully to those we love and to elude them. Now we need our lovers to be painfully honest, now we need them to spare us with comforting lies. Here we need to reveal to them our whole hearts, there we prove to them that, to them least of all, we can never be fully known.

Just as we think *Closer* is drawing to a conclusion in Act Two, its plot accelerates with surprising scenes and plot-twists. And Alice, the character we thought the most open and elusive of all, proves to have been the most mysterious. Do we ever really get closer to people? Do they ever get closer to us? How much closer do we want them to be to us? A superlative achievement.

Shaftesbury Ave, London.

INTERNATIONAL Arts Guide

AMSTERDAM

DANCE
Het Muziektheater
Tel: 31-20-551 8911
Dutch National Ballet: Romeo and Juliet. Rudi van Dantzig's 1967 version, created for the DNB and set to Prokofiev's score. With sets and costumes by Toer van Schayk; Apr 2, 3, 4, 5, 7

EXHIBITIONS
Van Gogh Museum
Tel: 31-20-570 5200
Utagawa Kuniyoshi (1797-1861): Heroes and Ghosts. Survey of work by one of Japan's leading 19th century printmakers. Includes more than 160 prints, paintings and drawings. Landscapes and erotic subjects are featured alongside the heroic and supernatural prints which made the artist's name; ends on Sunday

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Wozzeck: by Berg. Wim Trompert directs a revival of Willy Decker's 1994 production, with designs by Wolfgang Gussman. With the Netherlands Philharmonic conducted by Hartmut Haenchen; Apr 6

BERGAMO

EXHIBITIOS
Accademia Carrara
Lorenzo Lotto: Rediscovered Master of the Renaissance. 50 paintings, many of them on loan from churches and museums; from today until Jun 28, then transferring to Paris

BERLIN

DANCE
Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Tanzstunden: ballet triple bill, to music by Henze. Le Disperazioni del Signor Pulcinella, with choreography and sets by Dieer Heitkamp; Le Fils de l'Air ou l'Enfant Changé en Jeune Homme, in a staging by Henze with choregraphy by Marek Rozycki; and Labyrinth, by Mark Baldwin; Apr 2, 4

OPERA
Staatsoper unter den Linden
Tel: 49-30-2035 4555
www.staatsoper-berlin.org
Die Meistersinger von Nürnberg: by Wagner. Harry Kupfer's new production is conducted by Daniel Barenboim/Sebastian Weigle; Apr 5

BOLOGNA

OPERA
Teatro Comunale
Tel: 39-51-529 999
www.nettuno.it/bo/teatrocomunale
Don Carlo: by Verdi. Co-production with the Grand Théâtre de Genève, conducted by Elishu Inbal in a staging by Andrei Servan; Apr 3, 5, 7

LAUSANNE

CONCERTS
Théâtre de Beaulieu
Tel: 41-21-643 2211
Orchestre de la Suisse Romande: conducted by Heinz Wallberg in works by Hindemith, Schumann and Brahms; Apr 2

LISBON

CONCERTS
100 Days Festival, Expo '98
Portuguese Symphony Orchestra: programme of 20th century works; Main Auditorium, Centro Cultural de Belém; Apr 7

LONDON

CONCERTS
Royal Festival Hall
Tel: 44-171-960 4242
● Philharmonia Orchestra: conducted by Leonard Slatkin in works by Rimsky-Korsakov, Prokofiev and Rachmaninov. With piano soloist Nikolai Lugansky; Apr 2
● London Philharmonic Orchestra: conducted by Ingo Metzmacher in works by Debussy, Turnage and Stravinsky. With saxophonist Martin Robertson; Apr 3
● BBC Symphony Orchestra: conducted by Jukka-Pekka Saraste in the UK premiere of Per Norgard's Symphony No. 2, and works by Arvo Pärt and Sibelius. With the Hilliard Ensemble, piano soloist Leon McCawley and the BBC Symphony Chorus; Apr 4

EXHIBITIONS
Hayward Gallery
Tel: 44-171-261 0127
www.hayward-gallery.org.uk
● Francis Bacon (1909-1992): The Human Body. Brings together important works involving the human figure dating from 1945 to the mid 1980s; ends on Sunday
● Henri Cartier-Bresson: Europeans. Exploring changes from the 1930s to the 1970s, through the eyes of the photographer; ends on Sunday

OPERA
English National Opera, London Coliseum
Tel: 44-171-632 8300
The Tales of Hoffman: by Offenbach. New production by Graham Vick, designed by Tobias Hoheisel and conducted by Paul Daniel/William Lacey. Cast includes John Tomlinson; Apr 3

LUCERNE

CONCERTS
Easter Festival
Tel: 41-41-226 4480
www.LucerneMusic.ch/
● Orchestra of the Age of Enlightenment: conducted by Frans Brüggen in works by Bach. With soprano Lynne Dawson; Jesuitenkirche; Apr 2
● Munich Chamber Orchestra: conducted by Karl-Friedrich Beringer, with the Windsbacher Knabenchor, in Bach's Mass in B minor; Jesuitenkirche; Apr 3
● The English Concert: Trevor Pinnock conducts Bach's St. John Passion, with soloists including tenor Ian Bostridge; Jesuitenkirche; Apr 4
● Thomas Zehetmair: recital by the violinist of works by Bach; Franziskanerkirche; Apr 4
● St. Matthew Passion: conducted by Alois Koch. With singers including the Lucerne Music College and Choral Academy; Jesuitenkirche; Apr 5

LYON

EXHIBITION
Musée des Beaux-Arts
Tel: 33-4-7210 1740
Matisse: 20 paintings and 40 drawings and sculptures from the collection of the Musée National d'Art Moderne, from the period 1900-1953; from today until Jun 28

MILAN

OPERA
Teatro alla Scala
Tel: 39-2-88791
www.lascala.milano.it
Linda di Chamounix: by Donizetti. Co-production with Vienna Staatsoper conducted by Roberto Abbado in a staging by August Everding; Apr 3

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
● Bavarian Radio Symphony Orchestra: conducted by Lorin Maazel in works by Ravel, Barber and Stravinsky; Apr 2, 3
● Rundfunkorchester des Bayerischen Rundfunks: conducted by Garcia Navarro in extracts from operas by composers including Puccini and Wagner. With soprano Gabriele Schnaut; Apr 5

NEW YORK

OPERA
Metropolitan Opera, Lincoln Center
Tel: 1-212-362 6000
www.metopera.org
Lohengrin: by Wagner. New production by Robert Wilson, with costumes by Frida Parmeggiani; Apr 2

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Emmeline: premiered in Santa Fe in 1996, Tobias Picker's opera is presented here in the same production by Francesca Zambello, with sets by Robert Israel. Based on Judith Rossner's novel, J.D. McClatchy's libretto is a version of the Oedipus myth set in New England. The cast includes Patricia Racette and the conductor is George Manahan; Apr 4

PARIS

CONCERT
Salle Pleyel
Tel: 33-1-4561 6589
Orchestre de Paris: conducted by Yuri Ahronovitch in works by Weber, Bruch and Dvorák; Apr 2

ROME

EXHIBITION
Palazzo delle Esposizioni
Tel: 39-6-474 5903
Minimalia: display of works by contemporary Italian artists, selected by critic Achille Bonito Oliva; ends on Monday

ROTTERDAM

EXHIBITIONS
Kunsthal
Tel: 31-10-440 0300
Henriette Ronner-Knip (1821-1909): Cat Paintings from the Belle Epoque. Selection of works by the painter of cats, who was the first woman admitted to the Arti et Amicitiae society; ends on Sunday

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHZ (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **CNN International**
Monday to Friday, GMT:
06.30: *Moneyline with Lou Dobbs*
13.30: *Business Asia*
19.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05:07; 06:07; 07:07; 08:20; 09:20; 10:20; 11:20; 11:32; 12:20; 13:20; 14:20.

At 08:20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

SAMUEL BRITTAN
ECONOMIC VIEWPOINT

A problem shared

It is questionable whether reform of the UK's welfare benefits presents the problem that most people suppose

The British government's much-heralded policy ideas on reforming the welfare state did not contain a single table to enable one to assess the size of the problem with which it was supposed to be dealing. Nor were the Treasury Budget documents much more helpful. Nevertheless, here are some orders of magnitudes.

The UK gross domestic product for 1997-98 amounts to about £800bn. A little over £300bn is represented by public expenditure. And of that total roughly £200bn will have been devoted to the welfare state. More than £80bn is devoted to health and education combined, and nearly £100bn to cash benefits for social security.

Everyone (apart from a few saints) would like to receive more from the state and pay less in taxes and contributions.

But where is the special problem about social security cash benefits? The sums in question amount to about one-eighth of national income. And in contrast to the rest of public spending, they do not interfere with the ability of citizens to spend their income in their own way. They involve a re-allocation of claims to resources among citizens.

Social security cash benefits do raise a financing problem in many countries. As the population ages in the next century, there will be a contribution gap in social security funds in France and Germany amounting to 3 or 3½ per cent of GDP, according to International Monetary Fund estimates. For the UK the gap is negligible, amounting to only 0.1 per cent of GDP. The UK has been spared this problem partly because of demographic good luck and partly because of the reforms by the Thatcher government, especially the decision to index benefits to inflation, not earnings.

An obvious reform lies in adjusting the official retirement age. As the second table shows, an Englishman of 65 can expect to live to almost 80, three years longer than when the postwar welfare state was established. A woman of that age can expect to live an extra four years. If the retirement age were indexed to life expectancy, the alarming deficit projections in continental Europe would go and UK policymakers would not have to worry so much about a skimpy state pension. Yet I could not find the issue discussed among the government's ideas.

Critics can legitimately ask, as does Tony Blair, the prime minister, why the £100bn spent on cash benefits has not done more to reduce poverty. Some of the reasons for conspicuous poverty are not related to social security and have more to do with patterns of living and education. But there is a strong financial element. As a Chinese sage remarked: "What the poor lack is money."

There is an illusion about the benefits burden. Many of the recipients also contribute to the annual £130bn raised in personal direct and National Insurance contributions. The result is that a lot of cash flows are simply "churned" – that is paid and received by the same people. If inflows and outflows were offset, the net burden shown in the table might be reduced by perhaps half.

Elements of formal negative income tax are already involved in the new working families tax credit. A further step would be taken if child benefits were transformed into a tax credit. A larger step still would be to revive the plan of former Labour leader John Smith's Social Justice Commission to guarantee a minimum pension income by selectively topping up the state pensions of those who have insufficient means.

A modern affluent society should indeed be able to transfer more to the poorest.

UK benefit expenditure

£ bn	1997-98 estimates	% of total
Elderly people	42.43	44.3
Long-term sick & disabled	23.94	25.0
Short-term sick	1.21	1.3
Family	18.74	19.6
Unemployed people	7.16	7.5
Widows and others	2.24	2.3
Total	95.73	

Source: DSS

Life expectancy: England & Wales

Years	Men: At birth	Men: Age 65	Women: At birth	Women: Age 65
1841	40.2	10.9	42.2	11.5
1950-52	66.4	11.7	71.5	14.3
1993-95	77.1	14.6	79.4	18.2

Source: ONS

But it is extremely difficult to see how poverty can be tackled without income related payments of one kind or another.

Just as everyone has to undergo a means test for income tax, so a means test is needed for benefits. Such a means test could and should be made to look more like that administered by the tax inspector and less like a social security inquisition.

If cash benefits encourage a dependency culture, so surely should the ability to live on private investment income, which is a prominent feature of modern capitalist society, although few talk about it.

My own view is almost the opposite of many of the so-called reformers. I see no objection to cash transfers to the less well-off, limited only by the generosity of their fellow citizens. But it is far from axiomatic that an ever greater proportion of citizens' incomes should be taxed away to provide physical services such as health and education.*

There is no need to pretend that education and health are just like any other kind of spending, such as food and holidays. Their special features have led to state involvement in nearly all countries.

But is it really too much to expect citizens to pay out of their own pockets for an increasing proportion of routine non-catastrophic medical expenditure? Or to help finance educational improvements which as parents they want? Behind the drive for ever increasing state expenditure on education and health is not just a concern for poverty or even equality but a desire that we should all undergo the *same* experiences as a supposed badge of citizenship.

Too much of the welfare state discussion turns on the pensions issue. The argument between the voluntary and the compulsory approach has already been largely settled. Employees are expected either to participate in the State Earnings Related Pension Scheme (Serps), which provides a supplementary pension equivalent to 20 per cent of earnings, or to belong to a private scheme at least as good.

The argument about "stakeholder pensions" relates to a minority who have slipped through the net, for example, because their earnings are below the Serps limit, or they are self-employed. In fact the UK is gradually moving towards a three-step system consisting of a basic state pension, a compulsory earnings related supplement and a voluntary top-up.

The issue of compulsion is different from the question of whether schemes should be "funded", with which it is often confused. As far as the state sector goes, the accumulation of assets by a state fund is no different from the repayment of national debt from a budget surplus. This is a point made by Patrick Minford in the current issue of Economic Affairs.

Private-sector schemes are normally funded. But the benefits of such funding can be exaggerated. The much praised Chilean pensions savings accounts have enjoyed an average real return of 12 per cent since they began in 1981. Chile has been lucky in having launched its scheme at a time of unusual boom in world equity markets. Equities cannot hope to grow at that sort of rate in the longer run.

A safer guess about long run returns would be somewhere between the underlying 2 per cent or 3 per cent growth rate of real GDP experienced by the US and Britain and say 4 per cent in some of the safer emerging economies. (The latter was indeed the rate expected by the framers of the Chilean scheme.)

Higher returns can occur for temporary periods – for instance if the share of profits in national income is rising, a process which cannot go on indefinitely. There is no undiscovered "third way" for the welfare state other than the hard slog of rationalising taxes and benefit.

**This argument is elaborated in Towards A Humane Individualism, £5.75, John Stuart Mill Institute, 1 Whitehall Place, London SW1A 2HE*

samuel.brittan@ft.com

LETTERS TO THE EDITOR

IMF should publicly warn countries that give it cause for concern

From Professor Ira Sohn.

Sir, Stanley Fischer, first deputy managing director of the International Monetary Fund, outlined five suggestions to redesign the architecture of the international monetary system ("IMF and crisis prevention", March 30). They include: more timely, accurate and comprehensive data, better surveillance of policies, a strengthening of domestic financial systems, an improved operation of national capital markets, and prudent liberalisation of countries' capital accounts. There should be no objections with these.

Less defensible is the IMF's continued reluctance to reveal publicly its concerns about country policies without the permission of the country involved, a point highlighted by Robert Chote in an article which appeared the same day ("Role of surveillance and transparency underlined").

The IMF faces a choice. On the one hand, it can continue to diagnose, treat and prevent (economic and financial) diseases as private-practice physician, maintaining the strict patient-doctor confidentiality privilege. Or, on the other hand, more in concert with a global economy, the IMF could acknowledge that many "illnesses" – seemingly restricted to a single country (or group of countries) – be viewed as potential threats to "public health". An appropriate and responsible practice would be to issue early public warnings that are firmly supported by facts garnered from the proposed new monitoring guidelines.

Ira Sohn,
professor of finance,
Montclair State University,
Upper Montclair,
New Jersey 07043, US

Case against Turkey is not convincing

From Professor S.R. Sonyel.

Sir, James Moorhouse (Letters, March 30) is both unfair and unconvincing in his claims that Turkey "is not a liberal democracy", citing three disqualifications for its membership of the European Union. These call for comment. First, the Islamic Welfare party was banned under the Turkish constitution by the constitutional court and not by the army. This was a constitutional act.

Second, even in most liberal countries, human rights do not function normally when there is an emergency and the state is faced with terrorism – for example, in the UK (IRA terrorism) and Spain (ETA terrorism).

Third, Turkey does have an independent judiciary and rule of law, which, under normal circumstances, are implemented. But Turkey is faced with a ruthless terror organisation, unfortunately encouraged, and even supported, by those who would like to see Turkey dismembered.

If the EU is so meticulous in preserving "untainted, its identity as a home for free and democratic nations", as Mr Moorhouse claims, why is it not challenging, for example, Greece, one of its members, for its racist policies and constitution, discriminating against, and abusing the human rights of, its minorities? The Turks of western Thrace are not even allowed to elect their Moslem religious leader (Mufti) who is appointed by the Christian Greek government. Finally, if Turkey is an illiberal state, then why did the EU establish a customs union with it?

S.R. Sonyel,
35 D'Arblay Street,
London W1A 4YL, UK

Indian government's objectives key factor

From Mr Arjun Mittal.

Sir, Your report of the resignation of the industry minister in the Indian state of Andhra Pradesh (Asia-Pacific News Digest, March 30) reflects the FT's unfavourable view of the new Indian administration. Surely the government's desire to deregulate the Indian economy, to roll back unnecessary bureaucracy, and to encourage foreign investment in infrastructure is more important than the resignation of a minister who does not even belong to the central government.

The FT has previously quoted BJP politicians' nationalist economic views as if they represented party policy. This they no more do than some Labour backbenchers reflect the UK government's policy on, for example, welfare reform.

The FT, it appears, has pre-judged the new government and is giving foreign investors an unreasonably gloomy impression of India.

Arjun Mittal,
senior analyst,
Temple-Smith Hilliard,
7 Temple Avenue,
London EC4Y 0DA, UK

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers worldwide. Letters may be faxed to +44 171-873 5938 (set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages. Fax 0171 873 5938. Letters should be typed and not hand written.

FT INTERVIEW KIM DAE-JUNG

Dissident to president

South Korea's leader tells **John Burton** what Asians can learn from Europe

At 74, Kim Dae-jung, South Korea's president, may be one of Asia's oldest leaders, but he will be at the cutting edge of promoting a "new Asia" when he attends a summit meeting of Asian and European countries that begins in London tomorrow.

A critic of the "Asian values" movement, Mr Kim has blamed the region's financial troubles on crony capitalism and corruption. "If we had taken the path of democracy earlier, we could have avoided our current problems."

"We have a lot to learn from Europe such as democracy and economic development should go together hand in hand." Nations that have emphasised economic development at the expense of democracy, he says, have usually failed in the end.

One of Korea's foremost campaigners for democracy, he was jailed, tortured and sentenced to death by the military leaders who ruled the country between 1961 and 1987.

He modestly calls the switch from dissident to president "a big change in terms of environment. I am a little isolated from the outside world, so I have to make adjustment in some ways. In the past when I was opposition leader to criticise was my job and when offering alternatives, I didn't have to be 100 per cent responsible. But now I am in charge of my country. I have to be responsible for all the details."

That attention to detail includes no longer conducting interviews in English, which he learned as a political exile in the US, because of worries that he might misstate government policy in a foreign language.

He hopes to use his visit to the UK, his first foreign trip since his inauguration a month ago, to persuade his countrymen of the need for economic reform under the $58.5bn rescue programme from the International Monetary Fund. "The UK went through the same experience as Korea with the IMF and they were successfully able to learn something from the experience."

He expresses admiration for Tony Blair, the UK prime minister and argues the two men's policies – market-friendly social democracy – are similar. "Tony Blair is a born politician who is able to harmonise ideals and realities. While retaining the fundamentals of the Labour party, he has been absorbing the positive aspects of Margaret Thatcher's political heritage."

Unsurprisingly, Mr Kim is sanguine about the prospects for Korean recovery. "If we don't suffer a shock from outside such as Indonesia or the devaluation of the Chinese currency, our economy will begin growing within the next two years."

But he is no Pollyanna. "We have serious problems such as unemployment with 1.5m workers out of work. And interest rates must be lowered from 20 per cent, which is causing 100 companies to go bankrupt a day along with 10,000 workers losing their jobs daily."

With unemployment expected to reach at least 10 per cent this year against 3 per cent in 1997, Mr Kim acknowledges the danger of social unrest. "If the government neglects the unemployment problem, then we could have a backlash," he says.

The administration has recently allocated Won8,000bn ($5.8bn) to deal with the jobless, including efforts to boost meagre social benefits and create job training schemes. These will be financed through bond issues and the sale of shares in state companies. Mr Kim also says that his government is prepared to abandon its balanced budget and engage in deficit spending if necessary.

One of Korea's biggest challenges is to reform its industrial structure, based around large conglomerates, or *chaebol*. Mr Kim admits the progress of *chaebol* reform has been fitful, although "it is too early to criticise the *chaebol* since it is only the beginning. For the long term, I'm optimistic because they need to restructure to survive."

The *chaebol* have agreed to implement reform measures, including improving corporate transparency, abolishing cross-payment guarantees, reducing heavy debts, focusing on core businesses and making family owners responsible for management decisions.

But the president emphasises that restructuring will be left to market forces rather than state intervention. He places responsibility on the banks, which have lent generously to the *chaebol* in the past, to enforce tighter credit controls.

Corporate restructuring also means allowing foreign takeovers of Korean companies, which have been previously protected from overseas ownership. "Once a foreign investor makes an investment, it adds to our national wealth," he says. "The infusion of foreign capital means we can reduce our dependence on overseas debt. We can learn management techniques. Foreign companies create jobs and add to our tax base."

He criticises Korean attitudes that view overseas investment by Korean companies as good, but foreign investments in Korea as bad. When Samsung Electronics opened an electronics plant in England two years ago, the ceremony "was attended by the Queen. If that means colonisation of a country by foreign capital, then how could we expect Her Majesty to attend the ceremony?"

Mr Kim says he is not disappointed that he has to concentrate on economic issues rather than promoting unification with North Korea, which has been one of his strongest ambitions. "It's not a matter of preference. It's stark reality. To have a better environment in terms of unification with North Korea, we must first save our economy."

But he hopes that economics will also reduce tensions on the Korean peninsula. "We are separating politics from the economy so we can promote co-operation, which we think will be mutually advantageous."

Or mutually destructive. Mr Kim recently ordered the lifting of restrictions on South Korean investments in the North to help save its communist neighbour from collapse. A disaster there, with millions fleeing across the border would plunge the south into a new crisis, even if it succeeds in surmounting its current one.

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700

Thursday April 2 1998

Sterling in another world

As the British pound passes another nine-year record against the D-Mark, the cries of pain from the manufacturing sector have become more strident.

This week, Adair Turner, director-general of the Confederation of British Industry, called upon the Bank of England to signal that UK interest rates had reached their peak, and so help to push sterling back to a "more realistic level".

On the same day, the Birmingham Chamber of Commerce's latest survey showed that manufacturers were losing sales at home and abroad. And yesterday the March survey of purchasing managers confirmed a sharp fall in export orders. This is hardly surprising with sterling now almost 32 per cent above its level at the end of 1995 – even though the competitiveness of UK manufacturers has greatly improved.

During the 1970s and 1980s Britain's exports grew consistently less fast than world trade. But since 1992 they have held their share of an increasing market and did better than expected last year, because of technical improvements and tighter control of wage costs.

That manufacturers are better armoured against the assaults of a strong pound may be a small comfort in the embattled Midlands and the north west. Nevertheless, in the new world of long-term fiscal and inflation targets, there is no escape. Even in the monetarist phase of Margaret Thatcher's government, manufacturers knew that the authorities could try to do something about the exchange rate if they wanted.

That era ended last May when the Bank of England took charge of interest rates, with a duty to control inflation. But although the Bank is not able also to manage the exchange rate, it cannot ignore it. If the price of a credible anti-inflation strategy is loss of jobs in the Midlands, it must be paid. But the price must be minimised.

There are two way in which this could be done: first by tightening fiscal policy and second by ensuring that monetary policy does not straggle indecisively behind the need for action. The Treasury pointed out this week that it has tightened fiscal policy by about 2 per cent of gross domestic product on a cyclically adjusted basis in recent Budgets. This is probably as much as was politically feasible.

The Bank's monetary policy committee, on the other hand, may prove to have raised interest rates too little and too late. A sharper rise a year ago would have put it in a better position now to accede to the CBI's request. This year the committee has seemed indecisive and divided in the face of continued inflationary pressures. At its meeting next week, it must show that it is made of sterner stuff. Rates may need to go higher still, but the currency markets probably expect this anyway. Waiting may only make the symptoms worse.

IMF reform

The International Monetary Fund continues to agonise about how to reform itself. Recently, the focus has shifted from how it handled the Asian crisis, to how it should prevent the next one. This month, the interim committee of the IMF will meet to discuss ways to improve its economic surveillance.

Some of the changes being suggested, which have been set out in an internal IMF paper, are undoubtedly helpful. More data, particularly on short-term capital flows, must be a good idea. More emphasis on surveillance of the financial sector, rather than of the standard macroeconomic indicators, is also clearly necessary – although it was first proposed back in 1995.

And the internal functioning of the Fund must be improved. The paper mentions instances, for example, where staff did not have sufficient expertise to judge the health of the banking sector.

All this will be uncontroversial. But heated debate is likely on whether the Fund's work should be made more public.

It has been suggested that the IMF should give its policy recommendations more force by threatening to go public if a country refuses to follow them. This would prevent a situation like that in Thailand in early 1997, when the Fund was well aware of the dangers but could not persuade the authorities to devalue.

But this is unrealistic. Such a public declaration could actually precipitate a crisis. The IMF would not – and should not – take this risk, and so the threat would not be credible. It should not be forgotten, as well, that the IMF can be wrong and that countries should sometimes be able to disagree with its advice.

A better balance would be to publish more information, whilst stopping short of specific market-sensitive recommendations.

The IMF, as a recipient of confidential information, is not in a position to publish much without consent. But more countries are now choosing to allow the IMF board's conclusions to be published. Brazil was recently one of the first major emerging-market countries to do so. The IMF should encourage this, so that ultimately a refusal to publish would send a bad signal to the markets. The IMF itself must also set a better example, by making its own functioning more transparent.

These changes are important. But it is far more important that individual financial institutions make equally serious attempts to improve their own surveillance of the emerging economies, and temper their tendency to imprudent short-term lending. Only then will the lessons from the Asian crisis have been learnt.

Kiev stalemate

The Ukrainian election results make depressing reading. Years of weak government and a state of permanent conflict between a fractious parliament and a well-intentioned but ineffective president have left millions of voters dissatisfied with the post-communist reality. Nostalgia for the impoverished but guaranteed minimum standards of living offered by the former Soviet regime has grown.

Little wonder under these circumstances that the communists, still the only nationally organised party, should have emerged as the largest single party, albeit with little more than a quarter of the seats. They put themselves forward as the party of protest, and that is what millions of Ukrainian voters did, especially those owed many months' arrears of unpaid wages and pensions.

But an election which leaves the communist party in first place in parliament, while more than a third of the electorate voted for the numerous minority parties which failed to leap the four per cent parliamentary entry hurdle, resolves nothing.

Worse still, with President Leonid Kuchma weakened but still at the helm, Ukraine will now find it more difficult to convince foreign investors and the international financial institutions that it has the will to accelerate the pace of privatisation and other much needed market-orientated structural reforms.

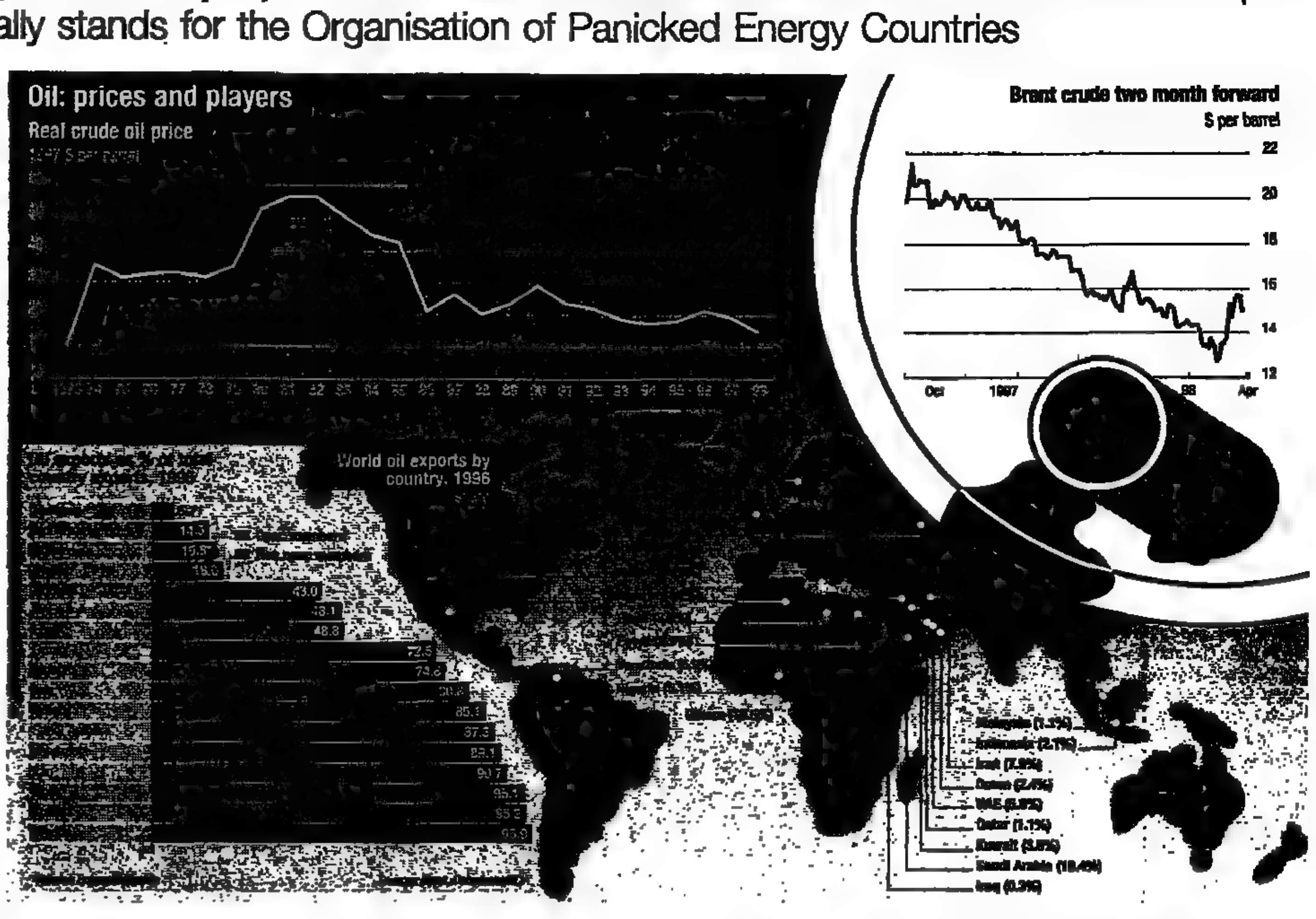
The experience of transition from communism to the market elsewhere in eastern Europe has demonstrated that those who hesitate on the path to reform, or linger in some halfway house, are condemned to prolonged stagnation and declining living standards. That was the fate, for example, of Romania and Bulgaria up to the last elections. It remains the fate of Serbia.

Countries such as Poland and Hungary, where reformed former-communist governments pushed promptly ahead with market reforms, have prospered. In little over a year since the last Bulgarian elections a determined reformist government has managed to attract international backing and foreign investment, and given new heart to its home-grown entrepreneurs.

The best thing about the Ukrainian elections has been the emergence of a new bloc of 114 independent members in the 450 seat parliament. Many are either business people or campaigners on a reformist platform. They promise a welcome injection of new blood and support for any moves to accelerate the pace of reform. The outside world must do all it can to encourage that process, and persuade Ukraine's voters that nostalgia for stagnation is no alternative.

The dependency culture

With oil prices low, **Simon Kuper, Roula Khalaf and Sander Thoenes** wonder whether Opec really stands for the Organisation of Panicked Energy Countries



It takes a lot to get oil producers to agree. When they finally shook hands on a deal to cut production, after a seven-hour session in Vienna on Monday night, fear had been the driving force. More than $100bn of income was at stake.

The slide in the oil price since October has been a disaster for the main producers. Saudi Arabia and Venezuela are classic one-crop economies. It is as if their harvest has just failed. Russia, Iran and Indonesia had hoped the production-cutting deal would greatly increase prices – a case of oil on troubled waters. They were disappointed. Last year, a barrel of Brent crude, the benchmark for the oil price, averaged about $19.30. Yesterday it cost $14, its brief rally after the deal by the Organisation of Petroleum Exporting Countries having subsided. If the price stays where it is, world export revenues from oil could drop by one-third from last year's $300bn.

Who will lose out? And where might the losses be most serious?

Only Norway, the world's second largest oil exporter, will suffer no immediate pain. The country's projected budget surplus of NKr94bn (£7.4bn) would have gone straight into its Petroleum Fund, which preserves oil income for future generations. "The Norwegians will continue to be well fed and well clothed," says Daniel Yergin, energy consultant and author. Citizens of other oil producing nations may be less lucky.

The Gulf states – home to about half the world's proven oil reserves – stand to lose the most money. Their consolation is that the starting point could have been worse. Fiscal balances have improved since the last oil price collapse in the mid-1980s. The past two years of buoyant prices have strengthened foreign exchange reserves. That is true all over the Arab world, even in war-torn Algeria, which has a reserve cushion of over $8bn.

But economic growth in the Gulf was already low, and spending plans by governments in the region will have to be chopped. "The major problem these countries will face is that they based this year's budgets on oil prices of up to $15," says Said Al Shaikh, senior economist at Saudi Arabia's National Commercial Bank.

Saudi Arabia, the world's largest oil exporter with $48.8bn in oil revenues last year, was already looking at a larger budget deficit of 3.3 per cent of gross domestic product this year. But according to Mr Al Shaikh, that was assuming a Brent price of at least $15.30. The Petroleum Finance Company, a Washington consultancy, warns that Saudi economic growth could drop below 1.5 per cent this year, from an average of 4.4 per cent over the previous two years.

Cheaper oil will raise the pressure on the region's rulers to do what they promise but do not deliver: to diversify their economies and to reduce state spending and the system of subsidies. Fareed Mohamedi, head of the markets and countries department of the Petroleum Finance Company, says: "The government starts to say, 'I need another $5bn, I'll sell off the telecoms.' Power is devolving down to a different type of animal, the private sector." Gulf governments say they are committed to privatisations, but they are reluctant to let the market dictate what people pay for services. That would erode state control.

Mr Yergin says oil producers everywhere are becoming more open to the notion of foreign investment. With prices low and volatile, "the most logical thing to do is to find someone who can help shoulder the risk and bring capital, skills, and access to global markets".

Iran, the world's third largest oil exporter, is the most vulnerable producer. In a dysfunctional economy, 80 per cent of hard currency earnings derive from oil, 20 per cent of people of working age are unemployed, and inflation is running at 50 per cent. The fall in the oil price will make it harder for President Mohammed Khatami, a moderate on social policy, to deliver on his election promises of economic reform. For Mr Khatami, says Mr Mohamedi: "It's the economy, stupid."

Outside the Middle East, the country with most at stake is Venezuela. It has bet heavily on increasing its oil output. "Venezuela, says Maria Kielmas, London-based consultant, "is essentially an oil well". Oil brought the country $17.6bn in revenues last year, or nine-tenths of its export income. Its current account starts from healthy surplus. However, its budget deficit could balloon, and in an election year there will be little desire to cut spending. A devaluation would be the easy way out, because it would raise the domestic value of dollar earnings from oil. However, devaluation could put off some of the foreign investors Venezuela has been attracting to help exploit its oil.

That would be true in Russia, the world's second largest oil producer, which exports about one-third of its 6.1m daily barrels. The oil sold at home is partly shielded from the fall in world prices, because domestic prices are lower and relatively stable. But the oil shock comes when the Russian government is struggling with its budget deficit. Russia had projected a deficit of 3 per cent of GDP this year. The forecast was seen as unrealistic from the first, and the oil price slide has made it seem doubly so.

Russian oil exports in 1996 were worth $12bn, or 14 per cent of total export revenues. Much of that income could be wiped out. In addition, the government may receive far less than the $2.1bn it is counting on for its 75 per cent stake in Rosneft, the last big state oil company. Russia is pushing to change the tax guidelines for oil companies, to sustain revenues. However, Arnab Das, emerging markets strategist at J.P. Morgan in London, forecasts lower spending, lower growth and a higher deficit, though he says inflation and the real value of the rouble will be stable. Yesterday, Sergei Dubinin, governor of Russia's central bank, said that the rouble's appreciation in real terms should end.

Indonesia, hit by the most serious economic crisis in 30 years, had expected to gain 20 per cent of this year's budget revenues from oil and gas. It had based its calculation on an oil price of $17 per barrel. Yesterday it revised that to $16. The country's one bit of luck is that oil accounts for 20 per cent of exports, down from 70 per cent during the rapid recovery of the 1970s.

Not everyone is upset about the oil price. Some western policymakers are beaming. For the 29 industrialised nations that make up the Organisation for Economic Co-operation and Development, most of them oil importers, a price at current levels would cut about 0.4 percentage points off inflation and add about 0.2 percentage points to economic growth. That would almost make up for the damage to growth expected to be done by the Asian economic crisis.

Why Opec blinked first

Conventional wisdom in the oil industry has it that weak crude prices hit high-cost producers hardest. This time, it was the world's lowest-cost producers that blinked first. As oil prices headed for 10-year lows, Opec members struck a deal with Mexico and Norway to cut back production quotas. The price has since recovered, but not by as much as producers had hoped.

Opec and its quota system has skewed the world's oil industry. Oil is cheapest to produce in the Gulf states, which hold about 45 per cent of total reserves. Production costs are as little as $2 a barrel, with a further $1 a barrel to transport oil to market. Even when world prices fell to $12 recently, many Gulf producers were still earning a handsome profit of as much as $6 a barrel.

Opec's policy of restricting production has created a huge production premium. Profit margins for the most efficient producers are staggering. Last year, Saudi Arabia produced more than 8m barrels a day, for which it received an average of more than $17 per barrel. Yet its overall production costs were just $3 or so a barrel.

With such an enviable cost base it was assumed that the Gulf states could outlast other producers if it came to a price war. But no one fully appreciated the degree to which many low-cost producers were dependent on oil revenues to finance their bloated civil services and cradle-to-grave welfare systems.

One of Opec's sharpest dilemmas is that its quota policy has stimulated intense competition from producers outside the exporters' group. With many Opec states off-limits until recently to international investment, oil companies have invested hundreds of billions of dollars in higher-cost oil fields in non-Opec countries.

Alaska's North Slope and Europe's North Sea are often viewed as among the most expensive places to develop oil fields. That was certainly the case in the 1970s when they were first developed. But operating costs in both areas have fallen sharply in recent years as a result of technical innovation (the ability to drill deeper and extract previously unexploitable pockets of oil), management changes and greater geological knowledge. Industry analysts reckon that oil prices would have to slip to $5 a barrel before they forced many companies to start shutting down unprofitable platforms.

At Opec's meeting in Vienna this week, one Gulf Arab delegate acknowledged that it may no longer be possible to squeeze higher-cost producers out of the market. "They simply find a way to lower those costs even further," he despaired.

The recent discovery of huge oil fields off west Africa offers a useful lesson in modern oilfield economics. Girassol is a giant field in 1,400m of water off Angola. Even though this is pushing the limits of production technology, Elf-Aquitaine, the field's French developer, reckons it can develop and operate Girassol for just $6 a barrel.

Low oil prices may do little to discourage present production, but they might well have an effect on future plans. A number of oil companies in recent months have announced delays to several projects scheduled for 2000 and beyond. Recently, Shell UK announced that it would postpone several projects in the North Sea, partly because of low oil prices. No large production areas have been cancelled yet.

Even if big projects were shelved, this would only start to have an effect on production levels in the next decade. It would certainly do little to solve the problems now facing both Opec and non-Opec producers alike.

Robert Corzine

OBSERVER

Out of the deep-fat frying pan

Warner Brothers has taken its time replacing Chris Pula, the head of movie marketing sent reeling from the Burbank lot last December. Now it has pulled in Brad Ball, who has been flogging quarter-pounders at McDonald's these past three years.

Pula went after only 11 months in the job, though Warner insisted that his marketing was not being made a scapegoat for a series of box-office failures as long as a studio boss's cigar.

Ball's time in charge of US marketing at McDonald's has not been without the occasional pickle. In 1996, there was "the biggest product launch in company history" – the Arch Deluxe sandwich, which hasn't become a household name. Last year came the Campaign 55 price-cutting promotion, which was ditched within three months.

Not that it's all gloom: Ball has recently been busy selecting a new lead advertising agency – DDB Needham – and rolling out the current "Did somebody say McDonald's?" campaign.

One thing Warner bosses might not have to worry too much about is Ball's title: in his days with Los Angeles ad agency Davis, Ball & Colombatto, he and his partner Mark Davis had an odd way of sharing the company presidency – Ball took it on odd-numbered days, and Davis on the evens.

Ball said at the time this reflected their general disdain for job titles – a reasonable sentiment from someone who was once the agency's director of novelties and paraphernalia.

Odd arrangement

Speaking of working on alternate days, it isn't easy to imagine Bank of France governor Jean-Claude Trichet and European Monetary Institute chief Wim Duisenburg doing that at the new European Central Bank.

That was the deal touted in Observer's favourite April Fool news story yesterday, in the French financial daily La Tribune. It was at least pleasing to see that the spoof gave Duisenburg the edge: local hero Trichet was to take even-numbered days with Dutchman Duisenberg fronting up the bank on the more numerous odd dates.

Rain dance

Having caused death and destruction from California to Columbia, El Niño has finally met its match – the Indians of Brazil's Caiapo tribe.

With forest fires devastating the northern state of Roraima for the last three months, two shamans, or medicine men, were flown into the capital Boa Vista on Monday to summon rain. The fires, not unusual in the region, have been aggravated by a six-month drought provoked by El Niño.

The shamans prayed to the god Cororoti and performed a mystical and ancient ritual on the banks of the Rio Branco, the huge river near Boa Vista which is so short of water that it can be forded in places. Lo and behold, torrential rain poured down for most of Tuesday on the worst affected areas just as United Nations fire experts were arriving to assess the damage. More rain is expected.

As the shamans prepared to fly home yesterday to Mato Grosso, in the south of the Amazon region, they delivered a parting shot – if the state government wants the rain to stop, it will have to bring them back again.

Playtime

Most annual reports are turgid affairs, unless you're a conscientious analyst or devoted investor. So Cognex Corporation, a teenage Massachusetts-based technology company, came up with an attention-grabbing 1997 annual report in the form of a children's activity book. Observer's copy was even accompanied by a press release signed – by "Andrew and Scott" – in orange and purple wax crayon.

The report includes puzzles and games and a cut-out paper doll of chief executive Robert Shillman: Dr Bob to his chums. Under all these wheezes it's still pretty turgid stuff – though a close read reveals that quarterly meetings begin with a company salute derived from the classic film comedy The Three Stooges, and that everyone, including Dr Bob, arrives in costume on Hallowe'en.

If reading the company's report seems like hard going, just be profoundly grateful you don't have to work there.

Chilled out

Botswana's economic success – reserves top $5bn – owes as much to former President Ketumile Masire's prudent housekeeping as to the careful management of the country's diamond wealth.

Observer recalls Masire, who stepped down yesterday after 18 years as leader, calling for a round of soft drinks after a meeting in his office. An embarrassed aide returned empty-handed. "The fridge is locked, and you've got the only key, Mr President." Look after the pennies and the diamonds will look after themselves.

Blue heaven

The US Senate, reflecting the nation's isolationist mood, still refuses to stump up its arrears of United Nations dues, but it seems the UN has some unlikely allies on the Supreme Court.

The justices have declined to hear an appeal by a soldier who received a bad conduct discharge for refusing to wear a UN blue beret while on peacekeeping duty in Macedonia. Just watch those UN lawyers searching for a way of bringing the US budget process into court.

The Financial Times

100 years ago

American Impudence Towards A European Power
It is now being recognised that Spain is by no means likely to accept the interference in the affairs of its Cuban colony of President McKinley. The Washington Government has been acting as if it were dealing with the question of dismissing a subordinate official instead of conducting negotiations with a European nation. We are not surprised, accordingly, to find that the Spanish Cabinet has replied with a proper spirit of haughtiness to the blusterous demands of what is, after all, a raw and untutored republic in the West. Although the misgovernment of Cuba by Spain is undoubted, no calm-thinking man can admit for one single moment the right of an extraneous nation, simply because it lies adjacent to a foreign colony, to dictate sudden and imperious terms to the country to whom that colony belongs.

50 years ago

Canadian Workers Earn More
Ottawa, April 1. Canadian workers earned 18 per cent more in 1947 than in 1946, the Dominion Bureau of Statistics reports. The increase is explained not only by higher wages, but also by the fact that less working time was lost in 1947 than in 1946.

FINANCIAL TIMES
THURSDAY APRIL 2 1998

THE LEX COLUMN

Corporate sermon

It is hard to disagree with motherhood and apple pie, and yesterday's report to the Organisation for Economic Co-operation and Development on corporate governance falls into this category. Stating that good governance can boost corporate performance is music to the ears of Anglo-Saxon investors. So is the commitment to market-based solutions rather than over-regulation. As for independent directors, rules to protect minority shareholders and more transparent disclosure, those may seem yesterday's battles from a US or UK perspective. But they are still live issues in many OECD countries such as South Korea. Even in countries such as Italy and France, which have been reforming corporate governance, practice still falls short of theory. And the lesson that top executives' remuneration needs to be aligned to performance needs to be learnt everywhere.

The OECD report also fails to grasp some nettles. For example, it does not express a clear view on whether it is a good idea for companies to have shares with very different voting powers. Nor does it take issue with webs of cross-shareholdings that can insulate companies from investor pressure. Another lacuna is takeover rules; trigger points for mandatory bids that were similar across the OECD would be welcome. Fundamentally, though, these changes will come about because investors demand them and companies see it is in their interests, not because codes recommend them.

UK markets

Can one reconcile the FTSE 100 index at 6,000 and sterling at DM3.10? It seems unlikely. Very few strategists believed equities would reach 6,000 by the year end, never mind the end of the first quarter. Even fewer were forecasting sterling at its current levels. So equity prices have sprinted ahead despite a deteriorating earnings outlook. Morgan Stanley calculates that if sterling stays at current levels, 1998 earnings growth for the market could shrink from 7 per cent to 3-4 per cent.

With sterling looking fairly resilient above DM3, it is not enough to hope that a falling pound will resolve the conundrum. Still, all is not lost for the bulls. UK equities may have outstripped forecasts, but they have underperformed European equities and look cheaper on valuation grounds. And while the earnings outlook may be deteriorating, this need not imply more demanding valuations. Indeed, falling inflation and a supportive backdrop in Europe should bring lower gilt yields, which may offset the earnings effect.

Even so, it is difficult to be bullish about the FTSE's prospects. The combination of sterling strength, fall-out from Asia and slowing UK growth is not adequately factored into forecasts. Weight of money provides support, rather than a reason for further advance. For foreign investors, who must also contemplate downside risk in sterling, caution is especially appropriate.

US underwriting

American investment bankers have never had it so good: a bull market, record underwriting volume and bonus bonanzas. But underwriting spreads are under pressure. Nothing new? True, corporate bond underwriting spreads have been tight for years. But more research-intensive sectors, like high-yield bonds and equities, have traditionally enjoyed richer margins. Last year, though, spreads in the high yield market fell 23 per cent, as competition from recent entrants like Chase intensified. Is equity underwriting – frequently viewed as a quasi-cartel with its chunky 5 per cent spreads – next? If the only protection is cost of entry, the answer is probably yes, given availability of capital and eagerness to penetrate this lucrative sector. This leaves one last defence. An unsuccessful bond issue is a minor embarrassment, while a failed equity offering could spell disaster. Thus chief executives have a vested interest in hiring the top performers rather than quibbling over a few basis points.

But anecdotal evidence of further spread slippage this year suggests current levels may not hold. Top underwriters, though, have a final trick – keeping a higher proportion of shrinking fees for themselves. The losers will be second-tier firms, already struggling to generate sufficient revenues to justify expensive new infrastructure. Sounds like a recipe for further consolidation.

Private equity

This year should be another cracking one for European private equity deals, as venture capital groups flush with cash pick over the bones thrown up by corporate restructurings. But for the banks, taking on a record amount of acquisition debt, it could be too much of a good thing. Witness the struggle to syndicate the £400m of debt to fund Nomura International's acquisition of William Hill.

If the banks are starting to suffer from indigestion, there are also other reasons why they are starting to become more cautious. They are grappling with new debt structures, as tranches are packaged up in more complex ways. Evaluating all the opportunities is stretching the banks' resources. Moreover, venture capital groups are paying more for businesses. A multiple of 12 times operating profits is no longer unusual. Combined with high levels of gearing, say 400 per cent, the more risk-averse banks will get pickier.

This should not lead to a fall-off in private equity acquisitions. The arrangers will work harder at tapping other markets for their venture capital clients. The issuing of high-yield bonds in European currencies is expected to grow fourfold this year. But private equity houses will have to do their bit to tempt the banks, and pay a touch more for their senior debt. They may also have to put in more equity, which will in turn lower potential returns.

PolyGram chief to call for European Oscars

By Alice Rawsthorn in London

The head of Europe's largest film company is to call on the European Commission to launch European versions of the Oscars and Emmys, the US film and television awards.

Michael Kuhn, president of the film division of PolyGram, the Dutch entertainment group that backed *Trainspotting* and *Bean*, will unveil his proposals on Monday at a European audiovisual conference.

He will also present proposals for the Commission to help set up a European film school and support a securitised loan scheme similar to those used in Hollywood.


The French film hit 'Ridicule' was backed by Dutch group PolyGram

The conference, in Birmingham, England, is organised jointly by the Commission and the UK government's Department of Culture, Media and Sport.

The Commission is reviewing its audiovisual policy. Several member states, notably the UK and France, see film and television as sectors with strong economic potential.

Mr Kuhn's ideas are already being discussed informally within the Commission.

The European Oscars would be awarded in Cannes, France, at the same time as the annual film festival. The awards would provide a marketing platform for Europe's filmmakers and acting talent.

Europe's answer to the Emmys, the US television awards, could also be staged in Cannes to coincide with MIP, the television programme market held there each spring.

Although the Commission would initially have to fund the awards, Mr Kuhn said the event could swiftly become self-financing, like the Oscars, from the sale of worldwide broadcasting rights.

The proposed European film school is intended to encourage the next generation of producers and directors to make English-language pictures aimed at an international market. It would also provide management courses for entertainment executives.

Mr Kuhn will also say the Commission should set up a securitised loan scheme.

Most big Hollywood studios have recently negotiated with banking syndicates access to substantial loans backed by future distribution revenues.

PolyGram is in the final stage of negotiating such a deal in the US. However, it is difficult for most European groups to do so because they do not have a lengthy record in film production.

India's new government seeks to reassure foreign investors

By Mark Nicholson in New Delhi

Yashwant Sinha, India's new finance minister, yesterday sought to assure foreign investors of "continuity" of economic reforms and a "big welcome" for foreign investment in some sectors.

Mr Sinha said he aimed to take the message to investors in New York and London on a visit this month planned around the annual World Bank/International Monetary Fund meeting in Washington.

In his first interview with a foreign publication since taking office last month, he said he wanted to dispel negative impressions of the new Bharatiya Janata Party-led government's economic nationalist policies of *swadeshi*, or self-reliance, which include discouraging foreign investment in some sectors.

"We are interested in creating an investment regime which will ensure transparency, speed and which will create a completely hassle-free regime for the foreign investor," he said.

The finance minister said he hoped to deliver his first budget by early June and admitted facing a "fine balancing act" in seeking to control India's high fiscal deficit – 6.1 per cent of gross domestic product in the last fiscal year – and to "kickstart" a limping economy through higher spending on infrastructure and agriculture.

Mr Sinha said the BJP alliance "favoured" opening the state-owned insurance sector to the Indian private sector, but "not yet" to foreign companies.

He added that the government would move swiftly on further public sector disinvestment and would continue to include international equity offerings as a component of such sales.

His message to foreign investors was: "We are not out of another planet, we are not Hindu nationalists as newspapers in the west describe us. We are ready to welcome foreign investors in a very big way in sectors in which we feel foreign investment has a major role to play."

The BJP has broadly defined these sectors as including infrastructure and high-technology industries.

While there might also be a "negative list" of sectors where "we may not need foreign investment", he added: "We will define everything very, very clearly. But I would plead that we should not be judged negatively on the basis of this small list."

CONTENTS


Workers donate money yesterday to help the jobless in South Korea. Imports fall sharply, Page 4; Kim Dae-jung interview, Page 10

FT.com
FINANCIAL TIMES

Directory of online services via FT Electronic Publishing

FT.com: the Financial Times web site; online news, comment and analysis.
http://www.FT.com
The Archive: online archive of back issues of the newspaper since July 1996.
http://www.archive.FT.com
Newspaper subscriptions: information, offers and online ordering.
http://www.ft.com/newspaper/subscribe.htm
FT Annual Reports Service: online ordering of annual or interim reports and accounts of 1200 UK plcs
http://www.ft.com/newspaper/222a.htm
Cityline: how to get share prices and market reports by telephone and faxback.
http://www.ft.com/newspaper/2176.htm
Surveys: details of forthcoming editorial surveys.
http://www.ft.com/newspaper/2366.htm

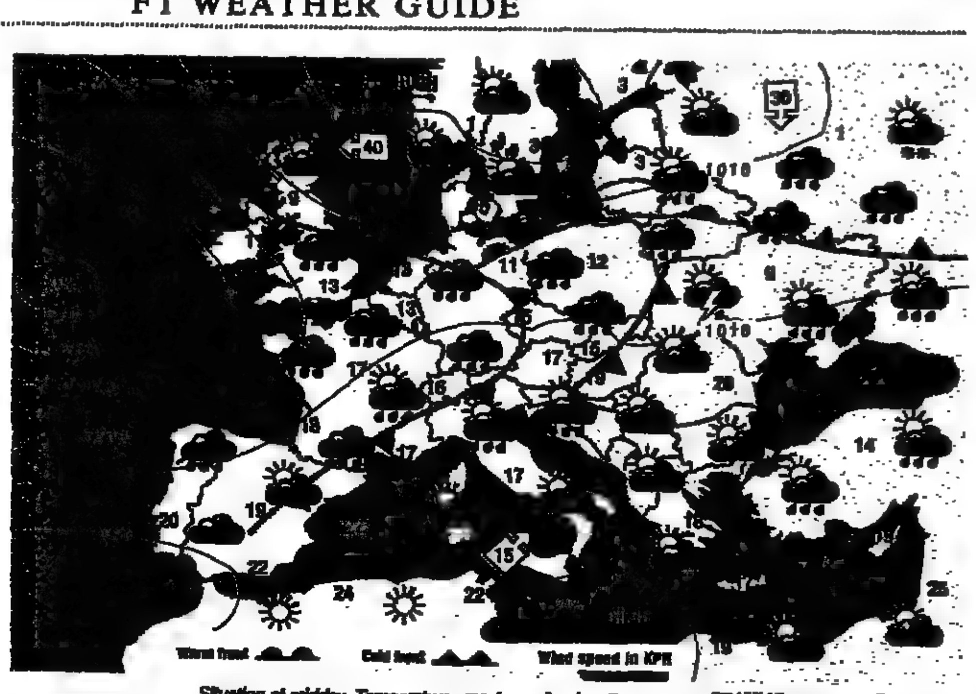
FT WEATHER GUIDE

Europe today

Northern Scandinavia will have some snow showers, and southern Denmark will be wet. The rest of Scandinavia will be dry with spells of sunshine. Rain will move east across central and eastern Europe towards the Baltic states, turning to snow over the hills. Western Europe will brighten for a while, but more rain will move across western parts of France, Portugal and north-west Spain. The Mediterranean will be mostly dry with sunshine, and any showers or thunderstorms towards the Levant will clear. Italy may have some scattered showers later.

Five-day forecast

Northern and western Europe will be wet and windy, then showery with sunny spells. Central and eastern Europe will be unsettled with rain. The Iberian peninsula will have spells of rain or thunderstorms. Greece should stay fine, but Italy will turn showery.



Situation at midday. Temperatures maximum for day. Forecasts by PA WeatherCentre

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	Sun	28
Accra	Fair	34
Algiers	Sunny	24
Amsterdam	Rain	13
Athens	Fair	18
Atlanta	Fair	25
B. Aires	Fair	27
B.ham	Rain	12
Bangkok	Fair	38
Barcelona	Fair	21
Beijing	Sunny	16
Belfast	Rain	11
Belgrade	Fair	21
Berlin	Rain	11
Bermuda	Fair	24
Bogota	Cloudy	20
Bombay	Sun	32
Brussels	Rain	14
Budapest	Fair	19
C.hagen	Shower	5
Cairo	Fair	27
Caracas	Cloudy	28
Cardiff	Cloudy	12
Casablanca	Fair	20
Chicago	Cloudy	11
Cologne	Rain	15
Dakar	Sun	25
Dallas	Cloudy	24
Delhi	Sun	34
Dubai	Sun	30
Dublin	Rain	11
Dubrovnik	Fair	17
Edinburgh	Shower	9
Faro	Fair	21
Frankfurt	Rain	15
Geneva	Shower	16
Gibraltar	Fair	22
Glasgow	Shower	9
Hamburg	Rain	8
Helsinki	Cloudy	3
Hong Kong	Fair	26
Honolulu	Fair	28
Istanbul	Fair	14
Jakarta	Thunder	32
Jersey	Shower	12
Johannesburg	Fair	24
Karachi	Sun	35
Kuwait	Sun	28
L. Angeles	Cloudy	15
Las Palmas	Fair	24
Lima	Fair	30
Lisbon	Shower	20
London	Rain	13
Lux.bourg	Rain	14
Lyon	Thunder	18
Madeira	Sun	22
Madrid	Cloudy	19
Majorca	Fair	22
Malta	Fair	19
Manchester	Rain	10
Manila	Fair	34
Melbourne	Fair	20
Mexico City	Sun	29
Miami	Cloudy	30
Milan	Shower	18
Montreal	Shower	9
Moscow	Snow	1
Munich	Shower	14
Nairobi	Cloudy	29
Naples	Shower	18
Nassau	Fair	28
New York	Cloudy	18
Nice	Fair	17
Nicosia	Shower	19
Oslo	Fair	9
Paris	Shower	17
Perth	Sun	35
Prague	Shower	15
Rangoon	Fair	35
Reykjavik	Cloudy	6
Rio	Fair	29
Rome	Shower	17
S. Frsco	Shower	14
Seoul	Sunny	12
Singapore	Thunder	34
Stockholm	Fair	3
Strasbourg	Rain	16
Sydney	Fair	24
Tangier	Fair	21
Tel Aviv	Fair	25
Tokyo	Shower	14
Toronto	Cloudy	10
Vancouver	Rain	10
Venice	Fair	17
Vienna	Shower	17
Warsaw	Rain	12
Washington	Cloudy	17
Wellington	Fair	16
Winnipeg	Shower	12
Zurich	Shower	17

مكتاب من الأصل

FINANCIAL TIMES
COMPANIES & MARKETS

THURSDAY APRIL 2 1998

Week 14

INSIDE

COMPANIES IN THIS ISSUE

CROSSWORD, Page 22

MARKET STATISTICS

GEC and Finmeccanica in tie-up

Anglo-Italian partnership is the first sign of consolidation in the European defence industry

By Paul Betts in Milan and Roger Taylor

Britain's General Electric Company and Finmeccanica, the Italian state-controlled industrial and defence conglomerate, have agreed the first stage of their proposed $3.4bn defence industry partnership.

The deal will create a 50/50 joint holding company based in the Netherlands that will control the two companies' missile systems, naval systems, radar and command and control activities. These operations, with combined annual revenues of about $1.5bn and employing 9,500, will be grouped into two separate companies - one Italian, the other British - under the control of the joint holding company.

For the first three years, Pier Francesco Guarguaglini, managing director of Alenia Difesa, Finmeccanica's defence subsidiary, will be chairman of the holding company and the chief executive will be Peter Brown, head of GEC-Marconi Radar & Defence Systems.

The agreement is seen as a sign of consolidation in the European defence industry following the tripartite statement by the German, French and British governments in December urging a European response to the consolidation of the US defence industry.

Analysts said they expected GEC to try to increase its stake in the venture in the long term but others warned that this might not be politically acceptable to the Italians.

The two companies are also negotiating two other proposed joint ventures, one involving avionics and the other guns and armoured vehicles.

Finmeccanica and GEC appear to have concentrated on the missiles and defence systems venture because their activities in these sectors were balanced. GEC-Marconi, GEC's defence arm, is larger than the Italians' in avionics while Finmeccanica's guns and armoured vehicles businesses are larger than those of GEC.

The plan is for GEC-Marconi to acquire a minority stake in Finmeccanica's avionics business, while the Italians would buy a minority stake in GEC-Marconi's smaller guns and armoured vehicles activities.

The three deals would encompass most of GEC's defence operations and a substantial section of the Italian defence industry.

The main GEC-Marconi businesses outside the deal are ship-building and US operations, which the company is keen to expand through acquisition. It has cash resources of more than £5bn. ($8.4bn)

The deal is the first step in the restructuring and privatisation of Finmeccanica. The Italian conglomerate yesterday reported a L2,350bn ($1.3bn) loss for 1997 against a loss of L540bn in 1996. The 1997 loss included L1,629bn to cover restructuring.

Finmeccanica is talking to British Aerospace over the possibility of Alenia Aerospazio, its aerospace subsidiary, linking with the UK group.

Finmeccanica is also negotiating a global partnership for its Ansaldo transport and energy subsidiary with Daewoo of South Korea.

Bull run in Europe set to continue following new highs

By Philip Coggan, Markets Editor

European stock markets continued their bull run yesterday in an equities environment described by one broker as "made in heaven".

All-time closing highs were set in Copenhagen, Frankfurt, Helsinki, Madrid, Milan, Paris and Zurich, as they have so often in recent weeks. The FT/S&P Europe (ex-UK) index gained 21.2 per cent in dollar terms during the first quarter of the year. London joined in the excitement, with the FTSE 100 index gaining 85.4 to 6,017.6, the first time it has closed above 6,000. And outside Europe, Johannesburg reached an all-time high, thanks to a surge in financial stocks.

The approach of European economic and monetary union has lifted continental equity markets, especially as interest rates seem likely to equalise across the Continent at the low levels prevailing in Germany. Interest rates have fallen in traditionally high-yielding countries such as Italy and Spain.

As well as reducing corporate borrowing costs, lower rates persuade investors to switch from bonds and bank deposits to equities. Flows into Italian mutual funds averaged L3,800bn ($2.1bn) in the first two months of 1998 compared with L600bn a month last year.

At the same time, the approach of Emu has led many corporations to consider merging in an attempt to create the continent-wide scale that will enable them to take advantage of the single currency market.

A stronger dollar has helped the export prospects of European manufacturers. And many companies are benefiting from an upturn in economic growth; the purchasing managers' indices in Germany and Italy showed strong gains yesterday.

However, the strength of the bull market in Europe has raised some concerns. Ian Harnett of NatWest Securities, a long-running bull of Europe, said there may be a 5-10 per cent correction and Ian Scott, the Lehman Brothers strategist, said yesterday equity valuations looked stretched relative to bond yields.

Lex, Page 12
No sign of slackening, Page 32

Heinrich von Pierer: Siemens committed to expansion in the semiconductor industry. Ashley Ashwood

Zenith TV maker in financial revamp

By Richard Waters in New York

Zenith Electronics, the last remaining colour television maker in the US, indicated yesterday that it was planning a financial restructuring that could lead to "massive dilution" for its shareholders, including the LG Group, the South Korean conglomerate that is its majority shareholder.

The company added that it was exploring ways to escape its deepening cash crisis, a process that may include seeking court protection from its creditors.

The news failed to remove concerns over the long-term commitment of LG Group to supporting the troubled US manufacturer. Debt rating agencies, including Standard & Poor's, have based their pessimistic view of Zenith's prospects in part on fears that the economic crisis in Asia would reduce LG's willingness to back its US affiliate.

LG issued a short-term lifeline yesterday, and said it was "considering providing long-term financial support". The two sides said that LG had agreed to extend a $45m secured credit facility to meet Zenith's expected cash needs until the end of June. The US company added that LG had provided guarantees on more than $100m of bank credit extended to Zenith since November.

However, despite an expression of support from LG for the "strategic direction" that Zenith was taking, Zenith said it was exploring other ways to resolve its crisis, including finding other investors or selling "substantial assets".

Restructuring the company and funding its operations until the end of the year will require at least $225m, Zenith said. It refused to elaborate on its restructuring plans, except to say that they included "out-of-court and in-court" arrangements – a reference to the possibility of seeking protection from creditors while devising a restructuring under the guidance of the bankruptcy court. Zenith said its auditors had issued a "going concern" qualification in their annual audit, pointing out that the company's future depended on its ability to raise money.

News of the deterioration in Zenith's finances comes two months after the company brought in a veteran General Electric executive to lead a turnaround. Jeffrey Gannon, chief executive, said that he expected to announce before the end of June a restructuring plan that would tackle the company's financial and operational problems.

Zenith said its sales in the final three months of last year had fallen to $348m, down 19 per cent from a year before, while its after-tax losses jumped from $89m to $156m. That left it with a net loss for 1997 of $299m, compared with $178m a year before.

Zenith has staked its future on a new generation of digital set-top boxes for cable TV and the arrival in the US of high-definition television.

Siemens chief says Asian impact worse than expected

By Stefan Wagstyl, Graham Bowley and Peter Martin

Siemens, the German electrical and electronic engineering group, has been hit harder than expected by the Asian crisis, according to Heinrich von Pierer, chief executive.

Speaking in a Financial Times interview yesterday, he said Siemens had been expecting a smaller rise in Asian orders than the 40 per cent increase to DM18bn ($9.7bn) posted in the year to September 1997, but results for the first few months of the current year indicated Siemens would not meet its target.

"We will not get all we expected [from Asia]," Mr von Pierer said, but strong order flows elsewhere, such as in the US and Germany, meant total "order intake would not be a problem".

The company last year set aside DM300m in provisions to cover losses such as bad debts, the chief executive said, and budgeted for higher provisions this year. He said the actual figure would "probably" be more than expected, but he declined to give details.

He said that while some countries, notably China, had been largely unaffected by the crisis, Indonesia was "most problematic". In the long term, however, Siemens remained committed to Asia and had not changed its strategy, he said.

Mr von Pierer said German business in general was very positive about Asia's future. He noted that an Asia Pacific delegation of German business people traveling to Beijing later this month would number 600, compared with 400 who made the last Asian trip two years ago to India.

He said the semiconductor industry, which has been hit by sharp price falls, could start recovering in the second half of 1997-98. "The market is still in a deep valley, but I expect that in the second half we will see an improvement because companies are reducing capacity – or at least not increasing capacity."

Mr von Pierer's remarks echoed those of others in the industry. He took comfort from the fact that Korean companies, which played a big role in capacity expansion in the early 1990s, were now reducing capacity and delaying expansion plans, including postponements by Hyundai and LG Group of chip plants being built in the UK.

A quarter of Siemens's chip output is in memory devices, the price-sensitive commodity end of the semiconductor market, with the rest in logic chips which are more resistant to cyclical price swings. Nevertheless, semiconductor profits fell in 1996-97 and were under pressure in the current financial year, said Mr von Pierer.

However, he said Siemens remains committed to further expansion with plans to increase semiconductor sales from DM8bn last year to DM12bn in 2000.

"It will become very profitable. I am absolutely sure," said Mr von Pierer, adding that Siemens had "the lowest costs in the business".

FDA approves Tate sweetener

By John Willman, Consumer Industries Editor

Tate & Lyle, the UK sugar and starch group, has won approval from the US Food and Drug Administration for the use of sucralose, its low-calorie sweetener, in 15 food and drink categories.

The go-ahead, which comes more than a decade after submission, will allow Tate to enter the $1bn-a-year US market for artificial sweeteners, currently dominated by Monsanto's aspartame.

It is likely to encourage other countries to follow suit. But approval for use in the European Union, which involves a vote in the European parliament, is still more than a year away.

The FDA approval covers all the main food and drink categories, including soft drinks – the most important sector for artificial sweeteners in a country that accounts for a third of the world market.

Sucralose is the only low-calorie sweetener to be made from sugar, which means its taste is attractive to food and drink manufacturers. It has become the best-selling table-top sugar substitute for sprinkling on food and in hot drinks in Canada and Australia which licensed it in 1993.

Coca-Cola and Pepsi Cola have both experimented with it in Canada, where it has been in use since 1991.

"If it can help revive the flagging diet drink market in the US, it has the potential to be very big for Tate," said Michael Bourke, analyst at Rabobank in London.

Sucralose is more stable than other sweeteners, which lose their sweetness over time or at high temperatures. Sucralose can be used in home baking and in products processed at high temperatures such as cakes and biscuits.

Monsanto, the US agricultural and biotechnology company, has more than 60 per cent of the US market for aspartame, sold as Nutrasweet and Canderel. Hoechst, the German chemicals group, has its own acesulfame K sweetener, marketed in Europe under the name Sunett.

Sucralose will be marketed in the US by McNeil Specialty Products Company, a subsidiary of Johnson & Johnson, under the brand name Splenda, which is already used in the 26 other countries where it is approved.

The European Commission has had an application to approve sucralose since 1987 – the date of the US application.

PERSONAL COMPUTERS LEADING MANUFACTURERS ARE FEELING THE EFFECTS OF FALLING PRICES

CompUSA warns on earnings

By Louise Kehoe in San Francisco

Falling personal computer prices are taking a heavy toll on profit margins, CompUSA said yesterday. The largest US computer retailer joined leading PC manufacturers and component suppliers in warning of lower-than-expected earnings.

The rising popularity of PCs selling in the US for less than $1,000, and, in some cases less than $800, was also having a significant impact on revenue growth, the retailer said.

CompUSA's shares dropped 17 per cent on the news to $21¾ in mid-session.

Total sales for the third quarter, ended March 28, increased 14 per cent to $1.45bn, compared with $1.27bn a year ago. However, comparable store sales were up only 1.2 per cent for the 122 stores that had been open for one year or longer, CompUSA said.

Moreover, it warned that it expected no fourth-quarter sales growth, on a comparable store basis. Typically, sales per store and total sales for the seasonally slower fourth quarter are lower than the third quarter.

The company was "disappointed with overall sales growth", said James Halpin, president and chief executive. Although sales volume had increased in the third quarter, average selling prices had dropped by a greater amount than expected, he said.

Sales per store declined about 6 per cent from the same period a year ago. This is expected to have a negative impact on its gross profit margin, which is expected to fall to about 14.1 per cent. Rising costs of creating a "build-to-order" service would also reduce margins, the company said.

Low-cost PCs that offer most of the features of machines selling for twice the price are the fastest growing segment of the consumer PC market, accounting for about 40 per cent of sales volume. However, the trend toward lower priced models is also picking up in the business sector as corporate buyers demand similarly priced machines, industry analysts said.

Intel, the leading supplier of chips to the PC industry, is also being hit by the trend toward lower PC prices. Its share of the sub-$1,000 market segment dropped from 65 per cent in January to 45 per cent in February, according to PC Data, a market research group.

Competing chipmakers, including Advanced Micro Devices which offers lower priced chips, won orders at Intel's expense.

Harnischfeger looks to its strengths as the flak flies

A failed acquisition attempt and fall-out from the Asia crisis has left investors disenchanted with the US group, says Peter Marsh

As a US navy pilot in the Vietnam war, Jeffery Grade has had plenty of experience dodging flak.

He has needed all his survival skills to withstand the extraordinary battering taken in recent months by Harnischfeger, the Wisconsin-based equipment supplier of which he is chairman and chief executive.

The company is the biggest international maker of surface and underground mining machines and, through its Beloit subsidiary, one of the world's big three in pulp and paper-making systems.

These two divisions last year accounted for nearly 90 per cent of Harnischfeger's $3.1bn sales, contributing roughly equal shares.

Mr Grade took over the top job in 1993, and for four years Harnischfeger was a stock market star. It pursued a global strategy centred on growth markets, cutting manufacturing costs and wringing out extra profits through better provision of spare parts and maintenance.

It seemed a good example of how an old-line US manufacturer – the company has been based in Milwaukee for more than 100 years – could reinvent itself for the 21st century. Net income last year at $139.8m was 22 per cent above the 1996 figure and more than twice the level of the year before.

But the rot set in early last year when Harnischfeger was rebuffed in its hostile $631m bid for Giddings & Lewis, another Wisconsin company which is one of the biggest makers of machine tools in the US. It was eventually snapped up by Thyssen of Germany for $675m. Harnischfeger's interest in the company, however, seemed to lack logic and disappointed many of Mr Grade's former Wall Street admirers.

Worse was to follow in the autumn of last year with the onset of the Asia economic crisis and Harnischfeger emerging as one of its largest US corporate casualties.

With sales of Beloit tilted to the Pacific Rim, a strategy for which the company had previously been applauded, Harnischfeger suffered a steep drop in demand for its products. Neither has it been helped by weak coal and metal prices world-wide which depressed demand for mining machinery.

The problems hit home in February when the company announced a restructuring charge of up to $150m, linked to a 30 per cent drop in net income in the first quarter, plus a 19 per cent decline in orders. It also announced the sale of its small materials handling subsidiary, as part of a planned divestment.

The sequence of events has hit Harnischfeger's shares, which between early 1993 and March 1997 outperformed the New York stock market by 58 per cent.

Since then they have halved in value compared with the rest of the market, hitting a low point of $33 in early March. They were trading at $33⅞, down $¾, in early trading yesterday.

"Sentiment is very negative," says Mark Koznarek, an analyst at Midwest Research, a Cleveland-based stockbroker. "There is no sign of any let-up."

Mr Grade, who joined the company in 1983, became chairman after spells as chief financial officer and chief operating officer. For much of the 1990s, the company seemed to get a lot of things right.

Through two big deals in 1994 and 1995 – a $1bn stock-for-stock merger with Joy Technologies of the US followed by the $330m acquisition of UK-based Dobson Park – the company took a leading position in mining equipment, particularly for underground coal mines.

Jeffery Grade: only a matter of time before the outlook improves

Tom Burns, an analyst at Dresdner Kleinwort Benson, says that in some mining equipment markets it is "close to a monopoly supplier".

Harnischfeger is also acknowledged to have a top-class equipment producer in Beloit, in which Mitsubishi Heavy Industries of Japan has a 20 per cent stake.

In the early 1990s, the company started a globalisation drive. It set up new plants or joint ventures in Poland, Russia and China and increased the share of sales from outside the US from about 35 per cent to more than half last year. About a quarter of Beloit's sales, and 12 per cent of those of the mining equipment, come from Asia.

The planned acquisition of Giddings, Mr Grade insists, fitted in with his strategy of altering Harnischfeger's culture to make it more "service driven". Harnischfeger, he says, could have transfused some of these ideas into its Wisconsin neighbour to make machine tool maintenance and spare parts as important as providing new equipment.

Others saw it differently. They wondered what Harnischfeger could have added to a company which many in US industry reckoned had radically lost its way.

"Thyssen coming in with a bigger bid was the best thing that could have happened to Jeff – it saved him from a lot of headaches," says the chief executive of a rival US engineering supplier.

Mr Grade does not see the Asian crisis as a "mortal wound" and believes it is only a matter of time before the outlook improves.

A more focused company has emerged following the $340m sale of 80 per cent of its materials handling subsidiary to Chartwell, a New York-based investment group.

The restructuring provisions should save up to $40m a year, mainly through a loss of up to 900 jobs from Harnischfeger's 15,000 global workforce. The fundamentals for Harnischfeger are, he says, still strong; but unfortunately for him the stock market, at least for the time being, does not agree.

Investors scupper agreed merger

By Christopher Parkes in Los Angeles

An agreed merger between two leading makers of motion simulator rides has been scrapped after institutional shareholders opposed the allegedly "over-priced" deal between Iwerks and Showscan.

The vote to reject the link, which valued Showscan at $27m, came at Iwerks' annual meeting and ended a campaign led by Providence Capital, which has 200,000 Iwerks shares.

Vital support came from Heartland Advisers, which owns more than 20 per cent of the company.

The unusually successful display of shareholder power overriding the unanimous wishes of both companies' boards followed a public campaign by Providence Capital which complained that they had failed to provide "a pertinent financial analysis" of the alleged benefits of merger.

Iwerks claimed that the link would increase its 1999 profits to 2 cents a share, compared with a projected loss of 26 cents.

The companies are among the leaders in the fast-growing "location-based entertainment" sector – in essence shopping malls in which conventional retail outlets mingle with restaurants, cinemas, arcades and other entertainment facilities such as mini-golf and skating rinks.

Competition is fierce, and Iwerks, which started out making rides combining film and cars mounted on hydraulic rams to simulate movement, has had difficulties after diversifying into the market for giant-screen film theatres, which is dominated by Imax.

The problems for smaller businesses have been compounded by mounting interest in the sector from large media and entertainment groups.

Walt Disney, for example, is building a chain of Club Disney outlets, aimed at families.

The value of the all-stock merger agreement, which was signed in August, fell to $16m after Providence Capital launched its campaign.

NEWS DIGEST

BREWING

Labatt to increase its stake in Femsa to 30%

Labatt Brewing Company of Canada is to raise its stake in Femsa Cerveza, Mexico's second largest brewer, from 22 per cent to 30 per cent, Femsa said yesterday. Femsa, which brews Sol and Tecate beers, said Labatt acquired an option to increase its share ownership when it bought the 22 per cent stake in September 1994 for $510m.

It added that the price of the transaction would be equivalent to the average of 90 per cent of the original share price in September 1994 and an independent valuation of Femsa Cerveza's market value. Femsa and Labatt are hiring banks to calculate the market value. Results are due by April 20 and they aim to complete the transaction by May 15.

Funds raised would be used by Femsa to pay down debt, which stands above $1bn. Marco Vera, a beverage analyst at Deutsche Morgan Grenfell, estimated the cost to Labatt would be between $180m and $190m.

Femsa has said its beer division was planning an initial public offering, expected to involve 19 per cent of the shares, leaving Femsa with 51 per cent ownership. It was not clear when the IPO would take place. **Henry Tricks, Mexico City**

PROSAN

P&G to take full control

Procter & Gamble, the US consumer products group, is to purchase from Empresas CMPC of Santiago the portion of a Latin American joint marketing venture that it does not already own. P&G said that the acquisition took the company's global strategy one step further "by assuming full ownership in South America of a business opportunity that offers great long-term global growth potential".

Prosan, the venture the two companies operate in Argentina and Chile, was formed in 1992 to market disposable nappies and feminine pads in Chile, Argentina, Paraguay, Uruguay and Bolivia under the brands Babysan and Ladysan. "Our joint venture with CMPC was an important step in expanding our paper operations in Latin America," P&G said. CMPC makes and markets pulp and paper products. The purchase price was not disclosed. **Reuters, Cincinnati**

PHARMACEUTICALS

ICN warns of currency loss

ICN Pharmaceuticals said yesterday the devaluation of the Yugoslav dinar by 82 per cent would result in a non-cash charge in the second quarter that might effect its earnings. The US group said it would take action to reduce the impact of the devaluation, including immediate application for price increases. "ICN Yugoslavia has been operating profitably for the past five years. During 1997 we had decreased our monetary exposure by $74m," said Milan Panic, chairman and chief executive officer.

ICN said sales in Yugoslavia represented about 30 per cent of its total revenues and that the rest of its business continued to operate profitably. **Reuters, New York**

ENVIRONMENTAL SERVICES

Laidlaw wins Safety-Kleen

Laidlaw Environmental Services, part of Canada's Laidlaw group, said yesterday it had received 94 per cent of outstanding shares of Safety-Kleen, more than the two-thirds required for Laidlaw to complete its US$2.1bn takeover of the US waste recycling company.

The announcement ends a bitter four-month takeover battle in which Safety Kleen's board implemented a "poison pill" to block Laidlaw's offer, even though it was higher than a rival US$1.8bn bid by Philip Services, the Canadian waste services company. Shareholders, however, refused to back Philip's lower all cash offer because of concerns about the financial health of the company. That left Safety-Kleen's board with little alternative other than to attempt negotiating terms with Laidlaw. Safety-Kleen's unease over the Laidlaw offer is thought to centre on the share element of the consideration and questions about synergies which Laidlaw believes would be attainable. **Scott Morrison, Toronto**

ALCOA ACQUISITION

Further information sought

Aluminum Company of America has received a request from the US Department of Justice for additional information on its acquisition of Alumax. Alcoa said yesterday that this second request extended the anti-trust waiting period. Alumax also received a civil investigative demand from the Justice Department seeking similar information and documents.

The length of the extension of the anti-trust waiting period was not available. Alcoa signed a definitive agreement to acquire Alumax in a cash-and-stock transaction valued at about $3.8bn, including debt assumption.

Alcoa would acquire half of Alumax shares in a $50-a-share cash tender offer. Each remaining Alumax share would be converted into 0.6975 an Alcoa share.

If less than 50 per cent of the Alumax shares are tendered, Alcoa said the remaining shares would be exchanged for a combination of cash and Alcoa common stock on a pro-rata basis. The tender offer is subject to expiration of the anti-trust waiting period, shareholder approval and other customary conditions. **AP-DJ, Pittsburgh**

CHILE

Emel in refinancing talks

Empresas Emel, the Chilean power distribution company, is in negotiations to refinance about $100m of debt through a syndicated bank credit or a private debt placement.

Leonardo Bitran, chairman, said before a shareholders' meeting that the credit or debt would allow Emel to "replace part of the the company's currently-held short-term credits for longer term [debt]".

Eugenio Arteaga, corporate finance manager, added that Emel will decide on a syndicated loan with foreign banks or a private placement with US institutional investors, mainly insurance companies. Emel is also negotiating a credit for about $90m alongside its US partner PP&L Global to finance a planned acquisition of 75.4 per cent of El Salvador's Compania Distribuidora de Electricidad del Sur. **Reuters, Santiago**

هكذا من الأصل

Double act hopes to make Normandy sing

Analysts are positive about the arrival of a global manager at the Australian gold mining group, reports **Kenneth Gooding**

The appointment of Mr Gould, right, as global manager has added to Normandy's credibility, although some still see it as simply a big Kalgoorlie miner — Kenneth Gooding

It took Robert Champion de Crespigny only 10 years to build Normandy into Australia's biggest gold group. Of course, he did not do it alone, but he often gave the impression that Normandy was managed by a one-man band – he even moved his family from Adelaide to Paris for a year to bed down the group's merger with part of BRGM, France's state-owned mining group.

The one-man band perception is gradually changing. Normandy last October appointed its first global managing director. After six months in the job, Ian Gould, 51, is relishing it.

Mr Gould, a geologist with 30 years of international mining experience, points out that he gave up the managing directorship of Rio Tinto Australia, part of the world's biggest mining group, so he was confident it would work out.

"Robert and I have a clear allocation of responsibilities. I am doing some of the work Robert did previously but, broadly speaking, Robert concentrates on corporate development while I take responsibility for organic growth and for the bottom line," he says.

Mr Gould's arrival has been generally welcomed by Australia's financial community, which came to know him well during his 17 years with Rio Tinto (formerly CRA in Australia).

One analyst says: "Mr Gould is well respected. He gives Normandy more credibility. Some still see Normandy as simply a big Kalgoorlie miner. There's plenty for him to do. Normandy's returns to shareholders have been no more than average in spite of its fast growth. It has often looked like growth for growth's sake."

David Walker, analyst with ABN-Amro Australia, said the appointment fitted well with Normandy's commitment to expand internationally and work harder at growth through exploration. It also fitted with Normandy's contention that a significant part of its international growth and expansion was to be through La Source, its 60 per cent owned French offshoot where BRGM is its partner.

Mr Gould points out that Normandy has grown largely through acquisitions. "Now a lot of growth will come from physical development of projects on the ground and some are not in our traditional areas of expertise." He mentions a manganese metal project in Queensland, as well as a cobalt venture in Uganda, as examples.

"Normandy now requires management by systems, not by intervention, while keeping its entrepreneurial flair and speed of action."

He insists, however, that Normandy is still a committed gold company. While it has big international ambitions, and recently listed on the Toronto and Montreal stock exchanges to attract more non-Australian investors, for the time being it cannot succeed unless its Australian gold operations are a success.

Mr Gould says Normandy will want to know more quickly what resources it has, expand them faster and as far as possible. "We would prefer to manage fewer, larger ore bodies, so prioritising ore bodies is my big objective."

One of Mr de Crespigny's recent deals was to take a stake in Great Central Mines (GCM), the gold group built up by Joe Gutnick, in exchange for helping to finance two GCM acquisitions. Many analysts saw this as a defensive move by Normandy because there were rumours that GCM was being woed by North American suitors and Mr de Crespigny did not want them stamping all over his Australian patch.

But Mr Gould says Normandy has expertise to offer to help lower GCM costs or improve operations, while GCM "is an outstandingly successful exploration company".

Meanwhile, limited diversification away from gold will continue. At present about 30 per cent of Normandy's revenue comes from non-gold operations. Mr Gould suggests that in five years, Normandy will be substantially bigger, gold will be contributing a bigger percentage of revenue, "but Normandy also will have grown into a strong industrial group".

Massachusetts group plans to make PC information storage a thing of the past

US-based EMC envisages a time when companies will keep their data in centralised storage banks, writes **Victoria Griffith**

Mike Ruettgers, chief executive of EMC, the Massachusetts-based data storage group, laughs when he hears that the hard drive on his public relations manager's lap-top had crashed earlier in the day, losing dozens of documents. "You see, this is why we're going to be a huge success," he chuckles.

Mr Ruettgers is modest in using the future tense. By most standards, his company is already a huge success. From $190m in 1990, sales mushroomed to nearly $3bn last year. Since 1993, the company's stock price has surged more than 800 per cent.

BusinessWeek magazine named Mr Ruettgers one of the top 25 managers in the US in 1997. Analysts have begun to mention EMC in the same breath as other leading names. "EMC could join Intel, Microsoft, Oracle and Cisco and the pantheon of dominant tech names," wrote Steven Milunovich, an analyst at Merrill Lynch, in a recent industry report.

Mr Ruettgers has a vision. In the near future, storing corporate information on a personal computer will be considered archaic. Everyone will be connected to a central data storage bank that will never experience any serious problems. Who will sell and maintain these systems? EMC.

EMC makes and maintains data storage systems, the huge information banks that are the lifeblood of banks, airlines, insurance companies and other industries.

The company is master of this $10.2bn business, with 27 per cent of the market. The only competitor with a double-digit market share is International Business Machines, with 22 per cent.

Mr Ruettgers reckons the market will expand to $35bn within the next few years. "Even if we just maintain our current share, that's tremendous growth," he says.

Corporations' move away from the centralised, main-server computer architecture in the 1980s was inspired by operational difficulties, Mr Ruettgers believes. "People wanted to run new software, and try new products," he says. "But they couldn't wait for months for the information systems department to process their request. So they started buying desktops and laptops and running their own show."

Yet the original concept, in Mr Ruettgers' mind, was sound. "What we've got now are all these islands of unconnected information floating around," he says. Not only are colleagues deprived of this information, the chances of melt-down are greater.

"In a centralised system, you'd always have back-ups," he says. Now that systems can be made instantly compatible through intranet and internet technology, companies seem to be moving back to the original plan. Nearly all of EMC's clients have indicated a desire to return to a centralised system.

The internet may speed up the demand for centralised data storage. "Few people will want to store massive amounts of data on their desk-tops in the future," says Mr Ruettgers. "Not if they can dial into the internet and get that information from a centralised source immediately."

EMC sees great opportunities in cyberspace, particularly in electronic commerce. "A consumer wanting to book an airline ticket needs access to vast quantities of data," says John Egan, EMC executive vice-president. "We want to manage that information."

EMC's success rests on an unusual management formula. Early on, the company decided not to manufacture any of the components in its machines. To guarantee quality, the group's engineers thoroughly test parts from suppliers before assembling the final machines. The group adds value through its proprietary software, which makes data easier to organise and access, and "connectivity", which makes it possible to use EMC's products in conjunction with any other system.

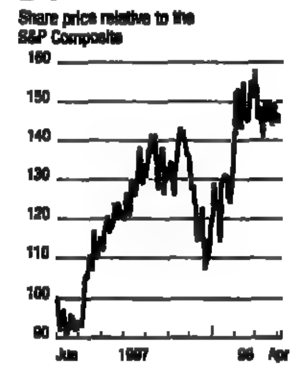
EMC also emphasises customer service, at a cost of 4 per cent of its revenues. Its hardware products are equipped with a "call home" feature that automatically notifies EMC's central computer of any errors. That device allows the company to catch problems early on, before they constitute a threat to the system.

This service has inspired strong loyalty. When Cedel Bank in Luxembourg called EMC last September about a computer glitch, EMC's engineers tracked down the problem, although it was clear that the problem was not in the EMC systems.

"We can rely on them," said Cedel. EMC is counting on such loyalty to catapult it to the big league.

EMC

Share price relative to the S&P Composite



RETAILING DUTY FREE CHAIN TO SHED 17.5% OF WORKFORCE

HK group axes jobs as sales plunge

By Louise Lucas in Hong Kong

Duty Free Shoppers (Hong Kong), the privately owned chain, has axed 17.5 per cent of its workforce, or 220 staff, as a result of plunging sales amid the territory's tourism and retail slump.

The group, which earlier this year laid off 100 staff, has been hit by the demise of Hong Kong's once thriving tourist industry. A 20 per cent decline in the number of tourists has hurt shops as well as hotels, restaurants and airlines, and has contributed to the economic slowdown in the territory.

"There are just no tourists in Hong Kong. Sales have been falling sharply below the budget level," said Shirley Wong, vice-president of human resources at DFS.

The retail sector, where sales fell 11 per cent last month, has been hit by a sharp fall in buying by formerly big-spending Japanese customers.

Since July, when China resumed sovereignty over Hong Kong, the number of Japanese tourists has been steadily declining and now stands at about half pre-handover levels.

South-east Asian destinations such as Thailand and Malaysia have been rendered more attractive by their currency devaluations. In turn, tourists from these countries are now finding Hong Kong prohibitively expensive.

Hong Kong's tourist body now hopes to boost tourism from mainland China but, Steven Thompson, chief analyst at Nikko Research Centre in Hong Kong, said: "They are not going to be the same spenders as the Japanese."

Other shops have suffered from the dearth of Japanese tourists. Joyce, an upmarket chain which stocks brands such as Prada and Giorgio Armani, has laid off 90 staff, shifted its flagship store to a cheaper location, and issued a HK$78m ($10.1m) rights issue to bolster its balance sheet.

Matsuzakaya, the Japanese department store, will close in August after 23 years' business, leaving more than 150 staff redundant. Yaohan department store, also of Japan, went into liquidation at the end of last year and laid off 2,700 employees.

Unions have urged the government to take action to ease pressures on the sector. Chan Yuen-han, a provisional legislator and vice-chairman of the Hong Kong Federation of Unions, is calling for a cheaper land pricing policy to relieve the pressure of high rents on shop owners as well as greater capital investment in retraining programmes.

"The economic depression is here to stay for some time," she said. "The government should reinforce its programmes."

Bad loans turn out to be persistent nightmare for PNB

Philippines bank is facing another crisis, writes **Justin Marozzi**

Amid all the uncertainties brought on by the Asian crisis, one thing at least is predictable in the Philippines. With each new corporate bankruptcy in the country, investors can be sure that Philippine National Bank, the country's second largest, will always be heavily exposed.

Bad debt and PNB appear irresistibly attracted to each other. Details are emerging of another debt crisis – at $254m the largest to hit the Philippines since the regional currency turmoil began – at National Steel. PNB once more appears to be the leading lender. Some believe the exposure runs as high as 5bn pesos ($132m). That would represent 3 per cent of the bank's total loan portfolio last year.

It is difficult to assess what is happening in the bank, as it maintains an impenetrable silence. In a belated reaction to the Asian crisis, it has reined in new loans. Such is PNB's new-found aversion to extending fresh credit that stockbroker wags have dubbed its acronym Please No Borrowers.

The rot set in after the bank's restructuring in 1994 and 1995. Then, in an effort to move away from behest loans and seize market share from rivals such as Metrobank and Bank of the Philippine Islands, PNB plunged into the dollar lending market, supplying cheap credit to property developers and other unhedged borrowers.

Eight months after the collapse of the peso, the bank is paying dearly. ABN Amro, the stockbroker, says the bank's dollar loans of $1.2bn are the highest in the sector, representing 38 per cent of the total portfolio. This compares with 30 per cent for PCIBank, 25 per cent for Metrobank and 12 per cent for BPI.

"Despite attempts at restructuring, PNB continues to be haunted by problems from the past," says an analyst at a foreign brokerage. "The government's 45 per cent shareholding remains a serious burden for the bank to bear. First, it still appears to direct credit towards government institutions and, second, it frustrates the bank's attempts to come to the market to keep sufficiently capitalised when the largest shareholder does not have the funds to support it."

The capitalisation problem is one of the most pressing. Analysts believe that as asset quality deteriorates and provisions rise during the economic downturn, PNB may break the central bank's 10 per cent capital adequacy guidelines. At present, it is the only top-tier commercial bank to be clearly undercapitalised. Recapitalisation is expected to prove expensive and to dilute book value.

The ailing bank may need to find a partner to inject fresh capital. The rumour in Manila is that Metro Pacific, the Philippine flagship of the Hong Kong-based First Pacific conglomerate, may acquire a significant stake.

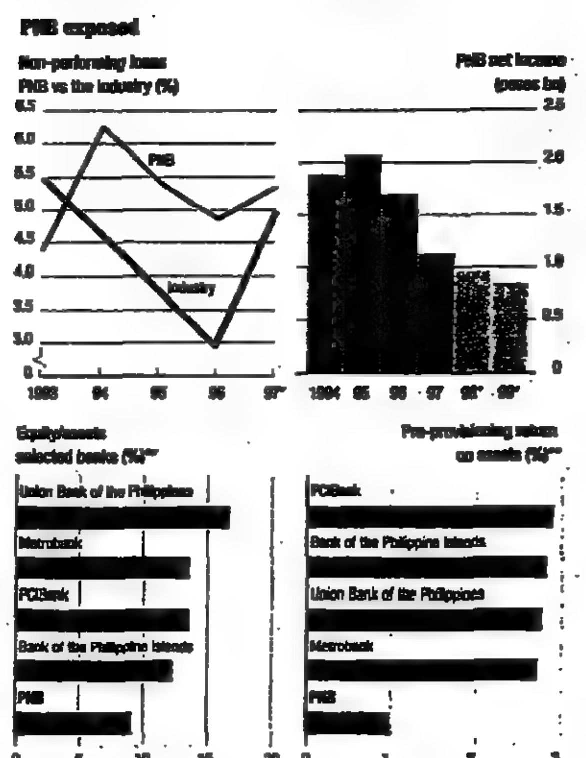
Other indicators of the bank's performance makes uncomfortable reading. In the past three years, net income has declined, from 2.1bn pesos in 1995 to an estimated 1.1bn pesos last year. One analyst forecasts a further drop, to 961m pesos this year and 851m pesos in 1999.

The bank is also seen as having the worst asset quality, lowest return on assets and highest risk portfolio, as well as being the most vulnerable to changes in banking regulations such as a mandatory increase in provisioning to 2 per cent.

Until recently, the bank's non-performing loans were also the worst in the sector. Now, at 6.2 per cent, PNB is a close second after PCIBank on 6.4 per cent. Provisioning lags behind on 2.4 per cent.

Ismael Pili, banking analyst at Indosuez W.I. Carr, has raised his estimate of non-performing loan growth to 9.6 per cent this year. He believes that under the influence of the government as PNB's largest shareholder, about a third of the bank's loan portfolio is still directed towards state institutions. This, he argues, is less profitable than credit on purely commercial grounds.

Investors will need persuading that PNB knows where it is heading. Reviving sentiment may depend on a new partner. As one analyst puts it: "The bank's price to book value of just 0.5, compared with BPI on three times and Metrobank on two times, says it all. Even when the banking sector recovers, PNB will be left behind. The next two years will be a big struggle."



Asset slide hits Japanese builders

By Michiyo Nakamoto in Tokyo

Two Japanese construction companies have highlighted the extent to which the country's property sector is suffering from sharp asset deflation since the years of Japan's bubble economy.

Takenaka, a construction company based in western Japan, is suing Matsuzakaya, a department store, for Y9.92bn ($74m) in unpaid fees it claims it is owed in connection with a golf course development project.

According to Takenaka, the two companies set up a company in 1989 with the aim of constructing a course in the Mie prefecture in central Japan. Takenaka acquired the property for the planned course and undertook procedures necessary for the development.

However, the plan unravelled when asset prices in Japan began a downward spiral.

Takenaka was unable to begin construction of the course by its deadline, with the result that its development licence lapsed. The Matsuzakaya board then voted last year to withdraw from the project, leaving Takenaka with the land, in which it had invested about Y10bn.

Many construction companies have had to take on golf courses after guaranteeing loans to developers which then went bankrupt. Takenaka operates three other courses through subsidiaries as a result of the failure of developers, even though, according to the company, it never intended to be involved in golf courses.

Meanwhile, Hazama, a general contractor, is to post a Y88bn extraordinary loss in the year just ended as a result of liquidating three subsidiaries involved in property, finance and property development.

In order to make up for part of the loss, Hazama is selling its headquarters in Tokyo, and branch offices in Osaka, Nagoya and Kyushu, for a total of Y50.4bn.

NEWS DIGEST

INDIA

Gas utility advances 61% on higher sales

Gas Authority of India, the country's state-owned and biggest gas company, reported a 61 per cent rise in after-tax profits to Rs10bn ($253m) against Rs6.2bn a year earlier on higher sales of domestic cooking and natural gas.

The company, forced last year to postpone an international equity offering amid east Asia's financial turmoil, reported a 26 per cent rise in sales to Rs57bn, against Rs45bn the previous year. The company said production of liquid petroleum gas reached a record 600,000 tonnes, with natural gas output rising just over 15 per cent to 20,032 cu m. Total liquid hydrocarbon production, including LPG, was put at 835,000 tonnes, up 14,000 tonnes on a year earlier.
Mark Nicholson, New Delhi

VEHICLE PRODUCTION

Toyota to lift US capacity

Toyota, the Japanese vehicle group, is to boost production capacity at a new US plant in Indiana from the initially planned 100,000 vehicles a year to 150,000 in 2000. When the revised plan is implemented, Toyota's combined production capacity at its North American plants will be raised to 1.25m units a year.

The expanded capacity is expected to be fulfilled by making sports-utility vehicles. The Indiana factory now under construction is scheduled to start making truck bodies at the end of 1998. At present, Toyota exports some 24,000 full-size pick-up trucks a year from Japan to the North American market.

Industry sources said the added capacity of 50,000 vehicles at the plant will be allocated to production of sports-utility vehicles based on the chassis of the pick-up trucks. Toyota appears intent on cashing in on large demand for sports-utility vehicles in the North American market, against the backdrop of floundering domestic vehicle demand.

Toyota will invest an additional $500m in the revised capacity, boosting the total investment in the Indiana plant to $1.2bn, the company said. It has also revised its employment plan for the plant up to 2,300 workers from the initially planned 1,300, it said. Kyodo, Nagoya

COCA-COLA AMATIL

Ex-chief ousted from board

Shareholders in Coca-Cola Amatil, the soft drinks bottler, voted yesterday to oust Norb Cole, former chief executive, from the board of directors. The motion was passed at the annual meeting, yesterday. Mr Cole had refused to resign from the board after he was replaced in the top post earlier this year by David Kennedy, executive vice-president of Coca-Cola USA.

CCA yesterday said sales volumes for the 1997-98 summer period in Australia grew 11 per cent over the corresponding period a year earlier.

Dean Wills, chairman, said the performance was "an outstanding one". He added that early indications for the company's performance in 1998 were good.

In spite of Indonesia's current economic difficulties, sales volumes derived from the country in the first quarter were in line with the 1997 first-quarter figure. This is "a commendable performance given that country's circumstances", Mr Wills said. AFX-Asia, Sydney

Insurance lifts China Southern

By Louise Lucas and agencies

An aviation crash that killed 35 people last year has helped lift profits at China Southern. The Guangdong-based carrier booked an exceptional gain of Yn143.84m ($17.4m) from excess insurance compensation.

One aviation analyst described the phenomenon as "normal, if a bit macabre. At China Airlines of Taiwan it's almost a source of recurrent profit – almost every year they make an exceptional gain on insurance reimbursement," he said.

"In some cases, carriers make more money crashing planes than they generate operating them."

China Southern, one of China's three biggest airlines, booked a net profit last year of Yn1.14bn, compared with the previous year's Yn726.83m.

The company listed last July, after a delay of some three years. Its plans were further derailed by the crash last May in Shenzhen – across the border from Hong Kong – which killed 35 passengers.

Recurrent earnings growth was helped by a strong first half, although as the economy deteriorated in the second half, travel revenues dried up. The carrier is predominantly a domestic airline, deriving 80 per cent of profits from the home market.

Jean-Louis Morisot, regional aviation analyst at Goldman Sachs in Singapore, said the carrier's home base of southern China was particularly affected by the drop in business confidence stemming from falling inventories, by falling foreign direct investment and by pending mass lay-offs.

"This is a market 70 per cent-dominated by corporate and government travel, so it's fairly volatile," he said. "And as a result, China air travel contracted in 1997 from very high levels of growth the preceding year."

The outlook for the market should be brighter following China's decision last month to cut interest rates, he said, and the regulator's move at the tail end of last year to allow ticket discounting, a practice which had been officially banned.

"That has a stimulating impact, and the combination of the two moves means the industry could expect a mild recovery in 1998," said Mr Morisot.

At the operating level, China Southern's profits increased 26.3 per cent, from Yn1.37bn to Yn1.73bn.

Earnings per share increased 30 per cent, from Yn0.33 to Yn0.43.

The group will not make any dividend payout.

ONGC climbs 19% in year

By Mark Nicholson in New Delhi

Oil and Natural Gas Corporation of India (ONGC), the state-owned upstream oil giant, reported a 19 per cent rise in net profits for the year ending March 31 to Rs24.2bn ($613m), compared with Rs20.3bn a year earlier, despite lower crude oil production.

The improvement, which exceeded analysts' expectations, came after a 13.5 per cent rise in operating revenues of Rs151bn, with higher sales of gas, liquefied gases and related products.

Crude oil production was 28.25m tonnes, higher than government targets of 27.7m tonnes, but down from last year's 28.7m tonnes. Production has fallen more than 31m tonnes in the early 1990s as a result of technical problems in ONGC's *Bombay High* oilfield, which is viewed by analysts as having suffered from overproduction.

I. N. Chatterjee, finance director, said the profits increase derived partly from higher prices for most petroleum products, worth an additional Rs8.7bn over the year, combined with stronger output of gas and gas-related products, which contributed an extra Rs1.62bn.

Analysts said the profits figure reflected both the government's move last year to deregulate gas prices and a strong rupee.

MONTHLY AVERAGES OF STOCK INDICES

	March	February	January	December
FTSE Actuaries Indices				
FTSE 100	5861.8	5657.7	5242.1	5087.5
FTSE 250	5396.0	5007.1	4827.6	4736.7
FTSE 350	2812.3	2694.8	2515.1	2445.9
FTSE Non-Financial	2708.91	2586.40	2455.76	2401.00
FTSE Financial Group	5732.82	5542.60	4968.04	4756.91
FTSE All-Share	2740.51	2624.19	2455.05	2388.16
FTSE Eurotop 100	2627.61	2521.19	2341.77	2250.04
FTSE Eurotop 300	1173.29	1092.48	1015.22	974.49
FT/S&P-A World Index	283.55	270.59	252.80	252.38
FTSE Indices				
FT Govt Securities	103.99	103.44	103.10	101.24
FT Fixed Interest	140.37	138.99	138.04	133.75
FT 30	3704.6	3466.7	3318.3	3258.9
FTSE Gold Mines	1070.96	1074.84	1026.87	989.44
SEAQ Bargains (5.00pm)	79,441	69,218	62,128	45,276

	Highest close Mar	Lowest close Mar
FTSE 100	5997.9 19th	5695.6 5th
FTSE 250	5544.4 25th	5227.8 5th
FTSE 350	2872.3 19th	2731.1 5th
FTSE All-Share	2798.65 24th	2661.11 5th
FT 30	3793.7 24th	3560.1 4th

هكذا من الأصل

BANKING GERMAN GROUP PLANS TO LIFT NET INCOME TO DM2.8bn IN 2000 AND ADD 1,600 JOBS THIS YEAR

Commerzbank aims to double income

By Andrew Fisher in Frankfurt

Commerzbank, the German institution, yesterday presented a confident view of its future, with plans to double net income over the next three years and add 1,600 jobs in 1998.

It said operating profits in the first two months were around last year's high level. Martin Kohlhaussen, chairman, described this as "very satisfactory" and said much lower risk provisions would also benefit results. The bank set aside DM881m ($476m) for Asian loan risks out of 1997 profits.

He said Commerzbank aimed to achieve net income of around DM2.8bn in 2000 compared with last year's DM1.4bn, a 10 per cent rise on 1996. This was based on realistic planning but should not be taken as a forecast.

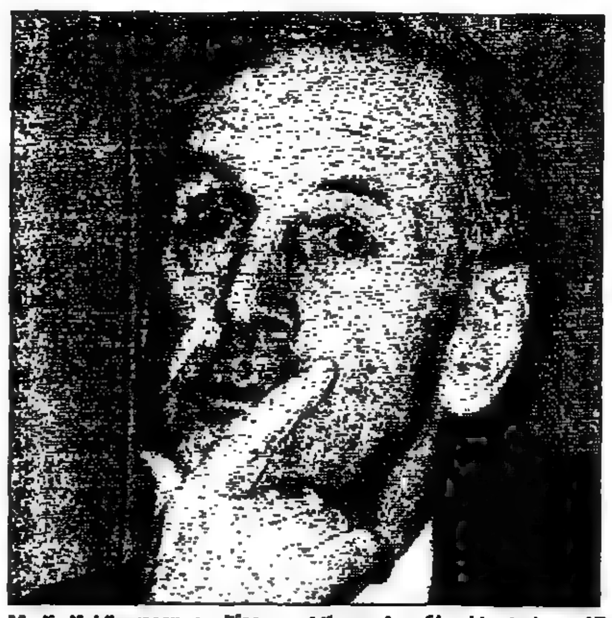
The result would be to lift net return on equity to around the 15 per cent which Commerzbank has stated as its goal. Last year's return was 9.9 per cent.

The bank's ambitions in investment banking foresee a return on equity of 30.5 per cent in 2000 against 20.4 per cent in 1997. It has embarked on an extensive hiring programme, this week announcing it had added more than two dozen analysts and traders in London.

Mr Kohlhaussen said global equities was at the centre of its investment banking strategy, with plans to spend heavily on personnel and technology in Frankfurt, London, New York, Tokyo and Singapore. It has no aspirations to become a big bank in mergers and acquisitions.

Investment banking will account for much of this year's job creation. It aims to hire 2,000 people, though this will be partly offset by a reduction of some 400 jobs in the domestic branch network, leaving the end-year group total at 32,000.

Around 1,000 new jobs would be created in Frankfurt, with employment also rising abroad. The increase would include 300 in data processing and more than 100 in financial controlling.



Martin Kohlhaussen: equities are at the centre of bank's strategy AP

Mr Kohlhaussen said net profits from investment banking should total some DM1.35m in 2000 against DM661m in 1997. The other big contributor would be German retail banking, with profits projected to rise from DM477m to DM1.4bn, the return on equity rising from 7 per cent to 18 per cent.

In mortgage banking, the return should increase from 18 per cent to 20 per cent and in international finance (including treasury and foreign exchange) from 8 per cent to 16 per cent.

Landis & Gyr bought by Texas Pacific

By William Hall in Zurich

Texas Pacific, a US venture capital firm, is buying control of Landis & Gyr Communications, the world's leading supplier of public and private payphones, in a leveraged buyout believed to be worth close to SFr200m ($131m).

It is the latest sign of the upheaval in the recently deregulated Swiss telecommunications market. Landis & Gyr has supplied over 2.9m payphones in over 70 countries and is a leading producer of electronic payment systems and smart cards. Abel Halpern, a partner of Texas Pacific, said the new owners intended to back the current management's desire to "aggressively grow" the business.

Although payphones are facing increasing competition from the rapid growth of mobile phones, Mr Halpern is convinced that the market for payphone telephony will continue to grow by 5 per cent to 10 per cent a year. He was keen to support the group's expansion into related fast-growing areas such as smart cards and electronic payment systems.

Landis & Gyr, which recently entered the Chinese market, forecasts continued strong demand for payphones in emerging markets. It sees considerable potential for upgrading the uses of phone cards in the industrialised world where there are more than 10 times as many payphones as cash dispensers.

Landis & Gyr, which has sales of SFr350m and employs 1,600 staff, is being sold by Electrowatt, a Swiss conglomerate, which is merging its industrial activities with Siemens of Germany. The European antitrust authorities required the sale of its payphone and smart card activities, as a condition of its approval.

Landis & Gyr is a member of the Global Chipcard Alliance of telecoms groups which aims to boost growth of smart cards which contain a microchip that can store significantly more data than traditional bank cards. The alliance was founded by Bell Canada, Deutsche Telekom, US West, American Express and Oracle. Its recent members include IBM and Microsoft.

Texas Pacific will have majority control but some Swiss investors will be included in the ownership group. Credit Suisse First Boston and Merrill Lynch will supply the financing.

High finance cuts a dash in haute couture

Alice Rawsthorn reports on the sale of the Italian fashion house Valentino to an industrial conglomerate

Any young fashion designer needs a little luck to get their first break, but Valentino Garavani was luckier than most when Elizabeth Taylor strolled into his new *couture* house in 1959 while shooting *Cleopatra* in Rome.

Photographs of Ms Taylor wearing a white Valentino gown at the *Spartacus* premiere were splashed across newspapers and magazines all over the world. Thanks to her patronage and that of equally mediagenic stars – from Monica Vitti and Sophia Loren, to Sharon Stone – Valentino has become one of the world's most enduring fashion designers.

Valentino and Giancarlo Giammetti, his business partner, are now starting a new chapter in their fortunes following the sale of their company this winter for $300m to HdP, the Italian industrial conglomerate behind Rizzoli publishing and the GFT textile group. The two men, who have worked together since 1960, must now adapt to a new corporate regime.

For someone who has ceded his company's independence, Mr Giammetti appears remarkably relaxed in his opulent office with 16th century frescoes and Le Corbusier chaises longues on a sprawling Aubusson carpet at Valentino's headquarters on Piazza Mignanelli in the heart of Rome.

"We needed to secure the company's future," he says. "In a few years, Valentino and I will want to do something different. We had to make sure other people were ready to take over from us."

Mr Giammetti began the process of transition a year ago by asking Goldman Sachs, the US investment bank, to produce proposals for Valentino's future. A flotation was ruled out, as Mr Giammetti was concerned that life as a public company would be too constraining, and Goldman Sachs was instructed to sound out prospective purchasers.

HdP, then known as HPI, swiftly emerged as frontrunner. Valentino had worked with GFT since 1975, when the latter manufactured its first ready-to-wear collection. Having failed in a recent attempt to merge GFT with Marzotto, its arch-rival, HdP management saw buying Valentino as an entrée to the luxury goods sector.

The deal was announced last September, and an agreement clinched in January. HdP has bought a brand synonymous with elegance in fashion circles, and retains a whiff of dolce vita glamour among the public, even if it is neither as widely known as Gianni Versace or Gucci, nor as hip as Prada or Helmut Lang.

Many of Valentino's customers have been loyal to the label for decades, but it is burdened with a middle-aged image when other fashion houses, such as Christian Dior and Hermès, are investing heavily in hiring young designers.

Valentino, which mustered modest operating profits of L31bn ($17m) on wholesale sales of L1,800bn in 1997, needs to find a way of attracting new clients without alienating the old ones.

In theory, the HdP deal should give Valentino the capital it needs to modernise, and Mr Giammetti has already mapped out an investment strategy.

Recruiting executives to work alongside him is a priority; as is hiring new assistants for Valentino's studio, one of whom may eventually take over as chief designer.

Another objective is to rescind the company's licensing deals, most of which date back to the 1980s. "Some have been good deals, but others were done for the wrong reason, just to make money," says Mr Giammetti. "Handkerchieves in Japan. That was stupid."

Valentino has 30 licensing agreements and Mr Giammetti is in talks to terminate them. Some licensees will continue to manufacture for the company, but Valentino will control distribution. It is also developing its Very Valentino brand as an umbrella label for younger ranges.

A longer-term objective is to expand the retail network of 84 outlets, including 11 wholly-owned boutiques. Some stores, including those in Milan and Paris, are to be renovated, and Mr Giammetti hopes to open new ones in North America and Europe, notably in Spain.

Mr Giammetti is also interested in helping HdP (in which he and Valentino will acquire a combined 3 per cent stake) to augment its luxury goods interests.

"We see it as an Italian rival to the big French groups like LVMH," he says. "We're looking at acquisitions in leather, jewellery, maybe even another fashion house like Valentino. Why not?"

Shares suspended in two big Italian banks

By Paul Betts in Milan

Shares of both Mediobanca and Istituto San Paolo di Torino, the Italian banks, had to be suspended yesterday just before the close in the Milan stock exchange because of excessive rises.

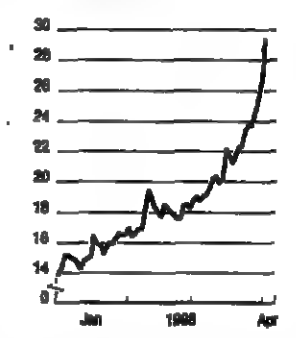
Mediobanca, the Milan banking group at the centre of an influential network of corporate alliances, was trading 9.95 per cent higher at L29,350 before it was suspended. This followed a 4.4 per cent gain on Tuesday.

San Paolo, Italy's largest commercial bank, about to merge with IMI, the Rome banking group, was also suspended after its shares rose 9.9 per cent to L27,950.

Yesterday attention centred on the bank sector because of the wave of consolidation in the industry – the broad Mibtel index rose 2.35 per cent while the blue-chip Mib 30 index increased 2.66 per cent.

Mediobanca

Share price (lire '000)



Source: Datastream/ICV

Brokers said yesterday the rise in Mediobanca shares reflected expectations of significant changes in the secretive banking group which announced a three-year strategic plan last weekend to strengthen itself in investment banking and asset management.

Mediobanca yesterday said its L2,100bn ($1.16bn) capital increase involving new shares and warrants would be launched on Monday. As a further sign of change, the bank will also host for the first time a meeting with analysts to discuss its industrial plans.

The capital increase involving a 1-for-5 rights issue with the new shares priced at L14,000 each coupled with warrants is designed to finance the bank's subscription of the recent Assicurazioni Generali cash call as well as its three-year strategic plan.

However, analysts also expect to see eventual changes in Mediobanca's network of alliances and inside the bank's controlling syndicate of shareholders.

Olivetti, the information technology and telecommunications group, is expected to abandon the syndicate now that Mediobanca has disposed of its 2 per cent stake in the company.

NATEXIS GROUP IN 1997

SUBSTANTIAL GAINS IN BUSINESS ACTIVITY AND NET INCOME, PLUS AN IMPORTANT PRECAUTIONARY MEASURE TO PROVIDE AGAINST ASIAN EXPOSURE

- **Fine performance by the group's competitive market activities (net banking income up 12.5 %).**
- **Progression in gross operating income, up 21.8 % over 1996.**
- **11 % coverage of Asian exposure through a FRF 550 million precautionary general-purpose provision.**
- **Substantial gain in net income, group share: FRF 289 million vs. FRF 98 million in 1996.**
- **Recommended dividend per share of FRF 10, or FRF 15, including French tax credit.**

Once again, the past year was characterized in France by weak business loan demand, while favorable conditions continued to prevail in the financial markets. On the international plane, the outbreak of the financial crisis in Asia will remain the year's most notable event.

Against this background, Natexis group produced the following results:

GOOD HEADWAY IN NET BANKING INCOME (NBI) FOR MOST BUSINESS LINES

A commentary on the group's business activity for 1997 was presented in a detailed press release dated January 21, 1998. The final figures for the year confirm very favorable trends for most of the group's business lines.

In 1997, net banking income (NBI) for the group's competitive market activities was FRF 3,777 million, representing a 12.5 percent increase over 1996. The greatest increases were recorded by the International Division (+25 percent), Private Equity (+135 percent), Private Banking, and M & A Advisory Services.

Revenues generated from Specialised Financing increased by 8 percent. NBI from Market Activities, Asset Management, and Brokerage rose 6 percent to FRF 856 million (accounting for 21 percent of total NBI), thanks in particular to good performances by Natexis Capital in the stock market brokerage field and ABM Corp. in trading mortgage-backed securities in the United States.

As in previous years, corporate lending and services in France contended with very sharp competition which squeezed profit margins and led to a 6 percent decline in NBI. Nevertheless, by optimizing its business base, Natexis strengthened its market share in its main product lines, especially in the cash management and payment services area.

Finally, the programmed reduction of institutional activity on behalf of the French State and the decline in revenues from corporate treasury diluted the improvement in the group's NBI. Despite these elements, however, total 1997 Natexis group net banking income amounted to FRF 4,168 million, 5.8 percent above the 1996 figure.

TIGHT EXPENSE CONTROL AND SHARP RISE IN GROSS OPERATING INCOME

Concurrent with its business expansion, the group continued to implement the expense reduction program initiated in mid-1996. Staffing was reduced to 3,313 full-time equivalent employees by year-end 1997, due to a sharp cutback in France (down by 8 percent over an 18-month period); meanwhile, outside France, the group work force continued to grow (+10 percent).

All together, expenses for the year were FRF 2,677 million, 1.4 percent below the 1996 figure. Expenses associated with operations in France were down by 3.9 percent.

The combination of rising revenues and reduced expenses led to a strong increase in gross operating income, up 21.8 percent over the previous year to FRF 1,491 million.

SUBSTANTIAL PRECAUTION PROVISION TO COVER EXPOSURE IN ASIA

At year-end 1997 the group's total exposure for the five countries affected by the financial crisis in Asia (South Korea, Thailand, Indonesia, Malaysia, and the Philippines) was USD 1,390 million; repayments since then through February 28, 1998 have reduced that figure to USD 1,250 million - approximately 3 percent of total Natexis outstandings.

The group's exposure to these countries comes to USD 856 million, excluding exposure guaranteed ultimately by leading international names or secured by cash, and excluding trade financing (letters of credit confirmations), but including sovereign and similar risk in Indonesia and Thailand. The main country concerned is South Korea which accounts for 38 percent of the group's exposure, followed by Thailand (26 percent), and Indonesia (24 percent).

Natexis is not directly at risk either in the Asian real estate, stock, foreign exchange, or financial markets. No particular credit risk has to this day required the establishment of provisions in relation to this crisis. Following a detailed analysis of its portfolio, the group remains confident in the quality of its overall exposure. Nevertheless, as a precaution, and to preserve its margins in the face of a possible deterioration in the condition of certain counterparties or countries, the Board of Directors has decided to increase general-purpose provisions by a substantial amount and to withdraw FRF 200 million from the Fund for general banking risk in order **to provide an 11 percent cover for the group's exposure to Asian risks**. The amount of general-purpose provisions is thus increased from FRF 304 million to FRF 926 million, FRF 550 million of which are earmarked for Asia.

CONSOLIDATED NET INCOME IS RAISED FROM FRF 98 MILLION TO FRF 289 MILLION

Other factors having a significant impact on the group's year-end income statement are:

- provisions established during the first half of the year following the French Banking Commission's technical inspection mission. On the full year, the main headings affected are those concerning provisions for specific credit risks (under additional provisions) and share in equity affiliates, marking to market the group's property holdings (excluding business premises);
- disposal of the group's 66 percent interest in Alfi Gestion. This sale occurred at the end of December 1997 and produced the bulk of the FRF 227 million in net gains on long-term investments;
- a drawing from the Fund for general banking risk amounting to FRF 804 million (including FRF 604 million for the first half of 1997);
- a high tax charge (FRF 237 million) principally due to the high proportion of net income generated by group entities operating outside France and therefore not included in the tax group.

Overall, net income group share for 1997 stands at FRF 289 million, as compared with FRF 98 million the year before.

The Board of Directors will recommend the payment of a net dividend per share of FRF 10 (FRF 15, including French tax credit).

KEY FIGURES

(in FRF millions)	1996	1997	Change
Net banking income (NBI)	3,939	4,168	+ 5.8%
of which NBI from competitive market activities	3,359	3,777	+ 12.5%
Gross operating income	1,224	1,491	+ 21.8%
Net income, group share	98	289	+ 196%
(in FRF billions)			
Total assets	288	299	
Total shareholders' equity	17.4	17.6	
Solvency ratio:			
Cooke	9.3%	8.5%	
EU capital adequacy Directive	133%	123%	

NATEXIS
GROUPE

AKZO NOBEL

The Annual Meeting of Stockholders of Akzo Nobel N.V. – formerly Akzo N.V. – will be held in Musis Sacrum, Velperbuitensingel, Arnhem, the Netherlands, on Friday, April 24, 1998, at 1:00 p.m.

Agenda

1. Opening
2. Report of the Board of Management for the fiscal year 1997
3. Approval of the 1997 financial statements of Akzo Nobel N.V. and of the dividend; discharge of the members of the Board of Management of their responsibility for their conduct of the business and discharge of the members of the Supervisory Board for their supervision
4. Appointments to the Supervisory Board; remuneration of the members
5. Appointment of F.B. Blaisse as a member of the Board of Management
6. Proposal to authorize the Board of Management to issue shares and to restrict or disregard the preemptive rights of stockholders
7. Proposal to authorize the Board of Management to acquire shares of the Company on behalf of the Company
8. Discussion on Corporate Governance within the Company
9. Proposal to amend the Articles of Association of Akzo Nobel N.V.
10. Any other business

Re item 4:
F.H. Fentener van Vlissingen, A.E. Cohen, and L.C. van Wachem are nominated for reappointment.
It is proposed that starting from 1998, the variable component of the remuneration, as approved by stockholders in the Annual Meeting of Stockholders of April 26, 1994, be abolished, and the remuneration of each of the members of the Supervisory Board be determined at NLG 90,000 per annum as of January 1, 1998.

Re item 6:
This proposal concerns the designation of the Board of Management, for a period of eighteen months, as authorized:
a) to issue – and to grant subscription rights to – shares up to a maximum of 10 percent of the total number of shares outstanding;
b) to restrict or disregard the preemptive rights allowed to stockholders by virtue of the law in respect of the issue of shares or the granting of subscription rights in conformity with (a), but only regarding shares issued pursuant to a resolution of the Board of Management.

Re item 7:
This proposal concerns the authorization of the Board of Management, for a period of eighteen months, within the limits of the law and the Articles of Association, to acquire shares in the Company, through the stock market or otherwise, at a price between par value and the opening price at the day of transaction plus 10 percent.

Re item 8:
The Company's response to the report on Corporate Governance in the Netherlands is available for inspection at the Company's office. On request these documents will be sent to stockholders free of costs.

Re item 9:
The proposed amendments with explanatory notes are available for inspection at the Company's office.
On request these documents will be sent to stockholders free of costs.

This agenda, the signed financial statements, and a list of personal data on the nominees for the Supervisory Board are available for inspection by stockholders at the Company's office, Velperweg 76, Arnhem, the Netherlands. Copies of the aforementioned documents are available to stockholders free of costs at the Company's office and through the banks mentioned below.

Stockholders who wish to attend the meeting or choose to be represented at the meeting shall deposit their shares at the Company's office, Velperweg 76, Arnhem, the Netherlands, alternatively at ABN AMRO Bank N.V., Herengracht 595, Amsterdam, or through one of the banks listed below, before Friday, April 17, 1998, 4:00 p.m.
A stockholder who chooses to be represented shall also give a signed power of attorney – either or not using the bottom portion of the certificate of deposit – whilst the proxy shall surrender the certificate of deposit and the power of attorney before the meeting. A separate power of attorney duly completed and signed by the stockholder may also be presented by the proxy in the form of a faxed message.

To facilitate prompt verification of the validity of the power of attorney, Akzo Nobel requests the stockholder or the proxy
- to make available a copy thereof to:
  Akzo Nobel N.V.
  Investor Relations Dept.
  P.O. Box 9300
  6800 SB ARNHEM, the Netherlands
  Fax **31 26 - 4424909
  not later than one day ahead of the meeting,
- or to present the certificate of deposit and the power of attorney at least one hour before the meeting at the registration desk.

Banks:
in the Netherlands: ABN AMRO Bank N.V., MeesPierson N.V., and ING Bank N.V. in Amsterdam, F. van Lanschot Bankiers N.V. in 's-Hertogenbosch, Rabobank Nederland in Utrecht, and their branches;
in Germany: Deutsche Bank AG and Dresdner Bank AG in Frankfurt a.M., BHF-BANK AG in Berlin, and Sal. Oppenheim jr. & Cie. KGaA in Cologne;
in Belgium: Generale Bank, Paribas Bank België, and Kredietbank in Antwerp and Brussels;
in Luxembourg: Banque Générale du Luxembourg S.A. in the city of Luxembourg;
in the United Kingdom: Barclays Global Securities Services and Midland Securities Service in London;
in France: Lazard Frères & Cie and Banque Nationale de Paris in Paris;
in Austria: Creditanstalt AG in Vienna;
in Switzerland: Credit Suisse First Boston, Schweizerische Bankgesellschaft and Schweizerischer Bankverein in Zurich, and their branches, and Pictet & Cie in Geneva.

The Supervisory Board

Arnhem, April 1, 1998

Akzo Nobel N.V.

BANKING FRANCO-BELGIAN GROUP REMAINS ON TAKEOVER TRAIL DESPITE DECISION NOT TO BID FOR CIC

Dexia still seeking acquisitions

By Neil Buckley in Brussels and Andrew Jack in Paris

Dexia, the Franco-Belgian banking group, made clear yesterday it was still on the acquisition trail despite its decision not to bid for CIC, the French bank.

The group – formed by the alliance of Crédit Communal de Belgique and Crédit Communal de France – said it had signed a preliminary agreement to take over the pensions division of SMAP, Belgium's leading insurance company in the pension and life sector.

François Narmon, chairman of Dexia's Belgian arm, said the deal was an important step towards creating a "bancassurance" business in Belgium. Dexia already co-operates on insurance products with SMAP, a mutual insurer owned mainly by Belgian local authorities.

He added that Dexia was in the final stages of talks on acquiring a stake in an international consulting business in the infrastructure financing sector.

That would fit with the ambitions of Dexia – a holding company of which the French and Belgian arms each hold 50 per cent – to become a leading force in public sector and infrastructure financing.

Mr Narmon said Dexia's withdrawal from the bidding for CIC, the French state-owned bank currently being privatised, reflected its analysis that the synergies were insufficient, and that the acquisition would have "weakened our financial profile". But this did not mean Dexia was not seeking new opportunities.

"We are also looking at other acquisitions in Europe," he said. "1998 will be a year of alliances and acquisitions."

His comments were echoed in Paris by Pierre Richard, chairman of Dexia's French arm, who said Dexia was now "a group which counts in the European banking landscape". With total assets of BFr7,528bn ($197bn), it is one of Europe's top 25 banks.

The comments came as Dexia reported a 12.9 per cent increase in 1997 net income, from BFr19.4bn to BFr21.9bn. It also reported an exceptional gain of BFr14.6bn on the sale of its stake in Banque Bruxelles Lambert, Belgium's third-largest bank, which was taken over by ING of the Netherlands last December.

Net banking income rose 4.9 per cent, from BFr85.08bn to BFr89.2bn, reflecting only a modest rise in net interest income from BFr65.3bn to BFr67.2bn. The rise was limited by the fact that revenues from the sale of Dexia Belgium shares by Belgian local authorities – which previously owned Crédit Communal de Belgique – were used to pay off their loans, reducing the bank's outstanding commitments.

Non-interest income increased 11.5 per cent to BFr21.97bn.

Earnings per share for the Belgian arm increased from BFr263.8 to BFr294.2, with an 11.1 per cent increase in the dividend proposed, to BFr130.

Earnings for Dexia France rose from FFr43.3 to FFr48.9, with a gross dividend of FFr25.95 proposed.

Shake-up at Crédit Lyonnais brokers

By Clay Harris, Banking Correspondent

Crédit Lyonnais is to integrate its UK stockbroking business, based on Laing & Cruickshank, a firm founded after a poker game in the 1880s, into a Europe-wide structure.

The shake-up at Crédit Lyonnais Securities Europe will also split the management of equities and derivatives operations. The venerable names Laing and Cruickshank will all but disappear in the change as will Cholet Dupont in Paris.

Michael Kerr-Dineen, chief executive of CL Laing in London, has been named head of European brokerage for CLSE. "The wall has come down between the UK and Europe within an integrated management structure," he said yesterday.

The change was intended to enhance the French bank's ability to offer pan-European services to institutional and corporate clients. It completed a process undertaken elsewhere in Europe. Domestic clients in the UK and France should see no disruption, he said. The Laing & Cruickshank name will be retained in private client banking.

The equity derivatives operation run by Joel Jeuvell has been separated from Mr Kerr-Dineen's brokerage business. He will gain responsibility for convertible bonds, trading arbitrage and strategic equity risk management. The bank said this would allow it to reinforce its presence in Europe after economic and monetary union and in the US.

Mr Kerr-Dineen and Mr Jeuvell will report to Chantal Lanchon, head of CL Capital Markets.

Cholet Dupont and CL Laing will now be called, respectively, CLSE France and CLSE UK. Crédit Lyonnais bought a minority stake in Cholet Dupont in 1987, and full ownership of Alexanders Laing & Cruickshank the same year.

Go-ahead given to MDI restructuring

By Hilary Barnes in Copenhagen and Maggie Urry in London

A plan to reconstruct MD Foods International (MDI), the Danish dairy company, which has lost DKr1.3bn ($184m) from investments in operations in the UK since 1989, was approved at a meeting of shareholders in Aarhus, Jutland, today.

The meeting was preceded by a stand-off between Danish institutional investors and the controlling owner of MDI, the MD Foods agricultural co-operative.

The institutional investors – led by insurance company, Codan, and pension funds, PKA and Komunernes Pensionsforsikring – which put up almost half the share capital to finance the UK venture, yesterday threatened to put MDI into receivership unless MD Foods gave them better terms.

Under the terms of the reconstruction plan, the share capital in MDI will be written off and MDI's operations transferred to a new company wholly-owned by MD Foods. MDI itself will be liquidated.

The institutional investors were sweetened today when MD Foods offered them an option to subscribe to shares in the new company within the next four years. If the UK operation finally becomes profitable, this means that the institutional investors will have a chance to recover some of the money.

Four Danish banks – Den Danske Bank, Unibank, BG Bank and Jyske Bank – which have financed MDI, have also lost heavily from the UK venture. The banks are owed about DKr1.5bn. MD Foods, which owns 51 per cent of the share capital in MDI, has so far refused to honour MDI's bank debts.

The losses in the UK, where MDI has bought up dairies to become the third largest dairy operator, have been sustained in a market suffering from excess supply of milk and falling prices.

MD Foods made its first foray into UK dairy processing in 1990 with the acquisition of Associated Fresh Foods for £92.4m ($155m). Since then it has invested heavily, and has plans to build a new dairy in Leeds.

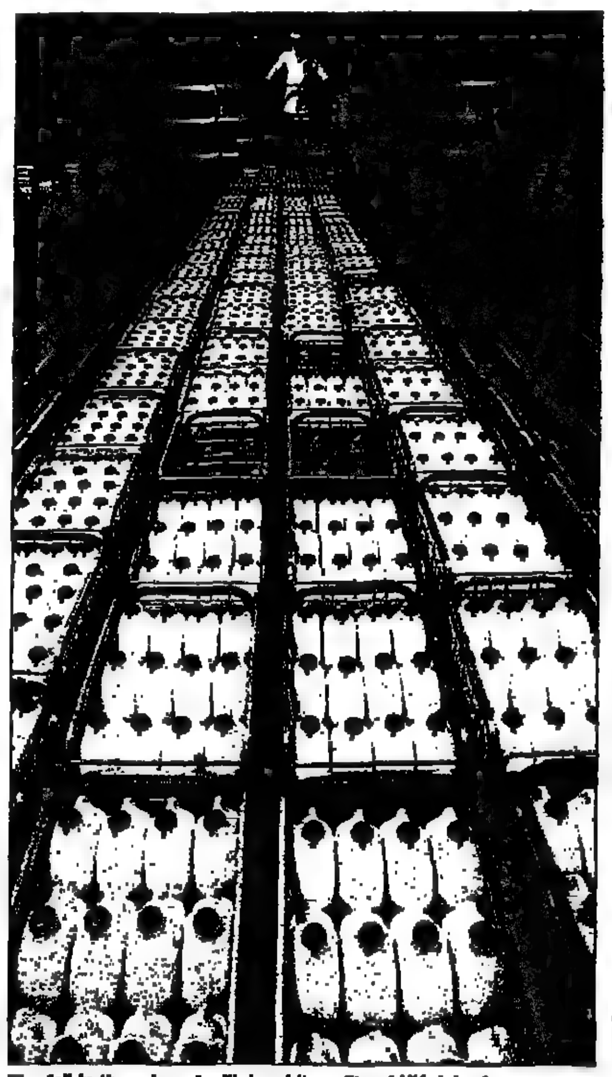
However, in the past couple of years it has sustained heavy losses in the UK, and rumours have circulated that the parent company would eventually pull out.

The Danes' often-repeated determination to stay in the UK appears to have maintained the confidence of its leading supermarket customers, in spite of uncertainty over the reconstruction, and even allowed it to increase market share.

MD Foods' investment in its UK business has amounted to substantially more than its current value, which analysts estimate at about £100m.

The dairy industry is in a state of flux, with many predicting a restructuring of the top companies, but little happening so far.

At the same time the raw milk price has fallen sharply, as sterling has risen, and UK dairy farmers are suffering severe falls in income.



The fall in the price of milk has hit profits of UK dairy farmers

Ex-UBS chief to join private Geneva bank

Renaud de Planta, former chief executive of UBS in Hong Kong, is joining Pictet & Cie, Geneva's biggest private bank, where he will be the youngest of eight partners with unlimited liability, writes William Hall in Zurich.

It is highly unusual for Switzerland's private banks to recruit new partners from outside not only their family but also the company.

Mr de Planta is joining Pictet along with Jean-François Demole, who is the son of a former partner of Pictet and nephew of a current partner.

They are Pictet's first new partners since the short-lived appointment of Fabien Pictet, who quit the bank last autumn.

Mr de Planta was considered one of the rising stars at UBS prior to the announcement of its merger with Swiss Bank Corporation. He had been named head of equity derivatives for the enlarged Warburg Dillon Read.

There has been unrest in UBS management because most senior jobs have gone to SBC personnel.

Ulrich Grete, head of resources at UBS, and Anton Affentranger, head of commercial and institutional banking, have already announced they are leaving UBS's Zurich headquarters.

Following the payment of UBS's annual annual bonuses in Switzerland, Swiss private banks have reported a surge in job applications from UBS staff, many of whom have also been offered jobs in the enlarged UBS group.

NEWS DIGEST

AIRLINES

BA takes 100% of German operation

British Airways has become the 100 per cent owner of Deutsche BA, its German operation. The Deutsche BA holding company said yesterday it was taking over the 19 per cent holding held by Commerzbank and the 16 per cent stake held by BB-Kapitalbeteiligungsgesellschaft, a financial investment group. Deutsche BA said the purchases highlighted its importance to BA's European strategy. **Ralph Atkins, Bonn**

CHEMICALS

Veba sells Contensio unit

The chemicals subsidiary of Veba, the Düsseldorf-based conglomerate, yesterday announced it had sold operations with sales of DM1.05bn ($568m) to the petroleum and chemicals division of RWE, its Essen-based rival, for between DM500m and DM600m. The sale of Contensio Chemicals is part of a long-running restructuring programme at Hüls, the Veba subsidiary, which is being merged with Degussa, the Frankfurt-based chemicals group. Volkbert Bade, Huls management board member, said the divisions sold would only have reached market leading positions in a reasonable time, "if we had spent an inordinate amount of money". RWE said the deal – which is subject to approval by competition authorities – would strengthen core activities and increase the annual sales of RWE-DEA Chemicals to DM4.5bn. The businesses affected include solvents, detergent raw materials and products used in foods such as jelly babies. **Ralph Atkins**

THYSSEN AND KRUPP

Merger effective by September

Thyssen and Krupp, the German engineering groups, have announced they expect the groups' planned merger to be completed formally on March 1, 1999 but take effect from the end of September this year. In a letter to employees, the groups said an application for approval by European competition authorities had been lodged yesterday. The extraordinary shareholders' meetings are expected at the beginning of December. The combined Thyssen Krupp group will have a turnover of about DM70bn ($38bn), ranking it among Germany's biggest companies. The administrative centre will be in Düsseldorf. Thyssen and Krupp said the tax consequences of the merger should be "significantly lower" than some observers expect. **Ralph Atkins**

HOUSEHOLD APPLIANCES

Electrolux eyes Russia base

Electrolux of Sweden, the world's largest supplier of household appliances, said yesterday it was considering the feasibility of establishing a production base in Russia.

The company said the rapid growth of the Russian white goods market would make it necessary "sooner or later" for Electrolux to start manufacturing in the country. Folke Hammarlnd, a senior Electrolux official, said the company had been in contact with several Russian producers but talks had not progressed beyond a preliminary stage. Electrolux's Russian sales doubled last year to almost SKr1bn ($125m), compared with group turnover of SKr61bn in Europe.
Greg McIvor, Stockholm

PHARMACEUTICALS

Pliva advances 31.8%

Pliva of Croatia, the largest pharmaceuticals group in central and east Europe, increased its net profits last year by 31.8 per cent to 604m kunas ($93m). Turnover rose 23 per cent to 2.85bn kunas helped by a big increase in exports including a jump of 121 per cent in sales in Russia. The Croatian government is expected to press ahead shortly with the sale of a stake of up to 14.16 per cent in Pliva in an international secondary share offering. The share sale could be expanded to include a small part of the 10.98 per cent stake held by the European Bank for Reconstruction and Development. Merrill Lynch and Daiwa Europe are joint global co-ordinators for the share offering.

Exports, which rose by 37.9 per cent last year accounted for 51.9 per cent of group turnover compared with 46.5 per cent a year earlier. Mr Zeljko Covic, Pliva chief executive, said that the group had increased its holding in Polfa Krakow, the Polish drugs company to 77.7 per cent.
Kevin Done, East Europe Correspondent

STEEL

SSAB to redeem shares

SSAB, the Swedish steel group, yesterday confirmed plans for a SKr3bn ($375m) share redemption and a SKr4bn capital expenditure programme to develop its mill operations. It said the share redemption would be funded from net cash reserves of around SKr3bn, adding that it would rely on borrowings for its investment programme. Details are expected later this month. **Tim Burt, Stockholm**

Deere close to buying Powerscreen arm

By Robert Wright

Powerscreen International, the Northern Irish engineer, appears close to selling its Matbro subsidiary to the US agricultural machinery maker John Deere.

John Deere is thought to have signed a letter of intent to buy Matbro, which makes specialist tractors. But it is delaying a final decision until after April 9, by which time it should have seen a report by KPMG, Powerscreen's auditors, into the accounting problems.

Powerscreen announced on January 27 it was taking a £46.7m ($78m) provision for losses at Matbro for the year to March 31 1998. John Deere was a likely buyer for Matbro because Matbro manufactured John Deere machines under licence.

The sale plans come amid claims from a Powerscreen competitor that the mispricing which partly caused Matbro's problems may also have affected other parts of the group.

Stephen Sly, a solicitor at Russell & Creswick, Sheffield, said he had been retained by Extec Screens and Crushers, one of Powerscreen's competitors, to examine allegations of anti-competitive pricing which might have affected Extec. Extec competes only against the stone screening and crushing divisions of Powerscreen, where Powerscreen has so far insisted there was no mispricing.

If machines were deliberately sold at uneconomic prices to gain market share, it might be the kind of behaviour which has previously been held by the Office of Fair Trading to be anti-competitive.

Powerscreen dominates the stone screening and crushing market.

Extec's suspicions back up claims by a former senior member of Powerscreen staff that Pegson, which makes stone crushing machinery, sold machines below advertised prices. The alleged mispricing would be similar to the kind which Powerscreen has admitted occurred at Matbro.

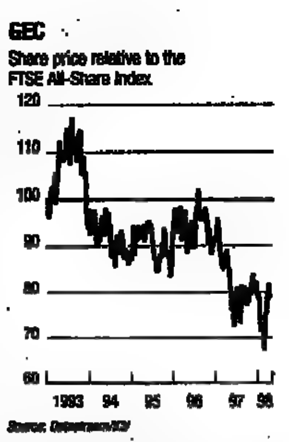
Powerscreen would say only that allegations of wider mispricing would be examined in KPMG's report.

There has been scepticism that Matbro, which had turnover of £63.2m in 1996, could alone have run up losses of £46.7m in the first nine months of the 1997 financial year.

Powerscreen would not comment on plans to sell Matbro. John Deere said only: "It has been Deere's policy in the past to inform the media in a timely manner, once an agreement has been concluded."

COMMENT

GEC/Finmeccanica



After a nine month gestation, the first defence joint venture between the UK's General Electric Company and Italy's Finmeccanica is ready to pop. The signs are it is not a beauty, but has promise. Maintaining two separate companies – one for British assets, the other for Italian – looks defensive and will not ease the task of exploiting available savings and boosting revenues. And while having a GEC-Marconi man, Peter Brown, as chief executive should bring a keen eye to the cost base, hints of a Buggins' turn rotation system at the top are discouraging. GEC should move fast towards gaining full control of the joint venture. Fortunately, the history of earlier joint ventures between the two companies, and the Italian government's desire to raise finance through privatisations, suggest this may be possible.

Despite these shortcomings – perhaps inevitable given questions of prestige and national security – this alliance does offer GEC improved access to the Italian market. And in time it could form the kernel of a wider European missiles alliance. The logical start would be with Matra/BAe Dynamics. That might force Aerospatiale and Thomson-CSF to the table at a later date.

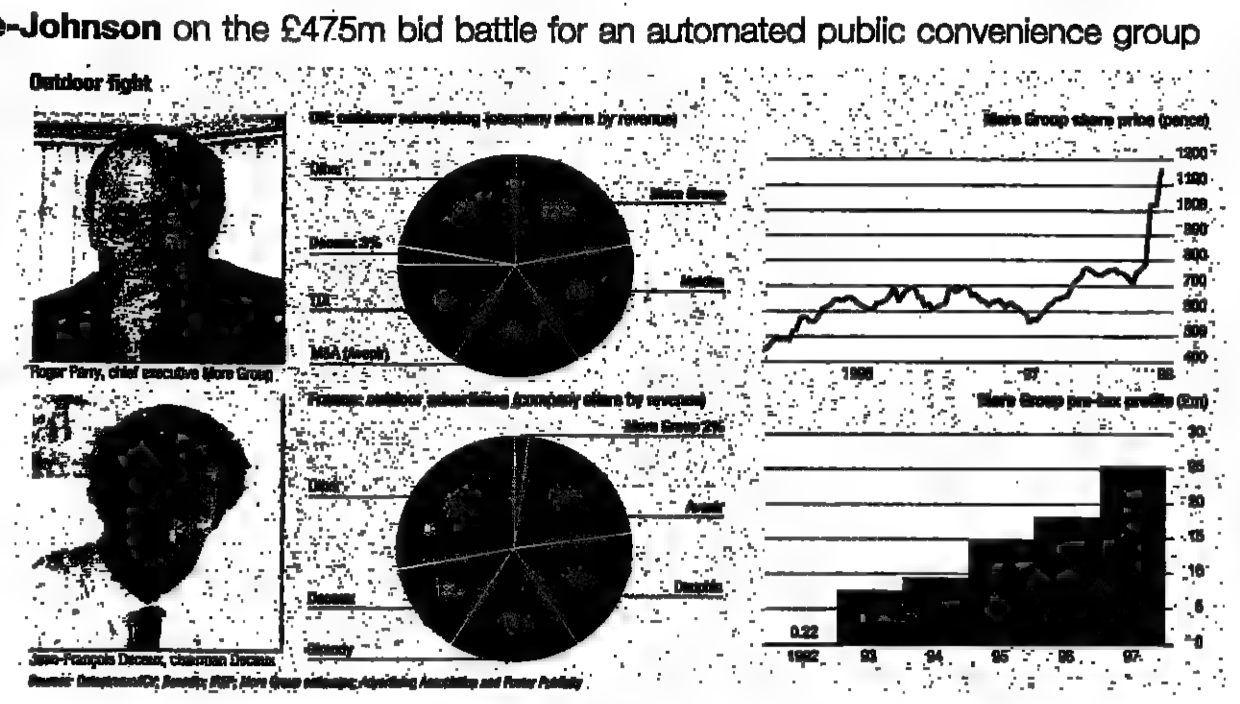
Monetary policy

The Bank of England's monetary policy committee meeting next week needs to decide not just what to do with interest rates but how to convey its thinking. A big weakness at present is that its minutes are published six weeks after each monthly meeting. That means they are always one meeting out of date. When the committee's thinking is shifting, the markets and public can be seriously misled. A particularly absurd example occurred after February's meeting. Mervyn King, the Bank's chief economist, had just been converted to the view that rates needed to rise but was not allowed to say so – even when questioned by the Commons Treasury Select Committee.

Why then does the committee stick to its six-week delay? One reason is tradition: this is what happened in the old days of the Ken and Eddie show and is also the US Federal Reserve's practice. Another is fear that up-to-date minutes will attract more scrutiny. Does the committee not realise that its huge power must be balanced by greater accountability?

More's move from grotty business to hot property

Andrew Edgecliffe-Johnson on the £475m bid battle for an automated public convenience group



Roger Parry, chief executive More Group
Jean-François Decaux, chairman Decaux

When Coline McConville, a management consultant at McKinsey, was called two years ago about a job as development director of the More Group, the outdoor advertising company, she immediately said "no" and put the telephone down.

Automatic public conveniences, roadside poster sites and illuminated bus shelters do not look that exciting at first glance: but this week, however, More has found itself a hot property at the centre of what promises to be a fierce bid battle.

Having agreed a £446m takeover by Clear Channel, a US media group, More heard on Friday that its arch-rival, Decaux of France, was planning a £475m offer.

Decaux's bid surprised analysts who assumed that its position as More's only real challenger in the UK street furniture market would rule out any combination on competition grounds.

Predictions that Clear Channel may return with a yet higher bid for a company which made £25.5m pre-tax profit last year have left other observers wondering why this company holds such appeal.

Mrs McConville, who had a change of heart about the headhunter's proposal and took the More Group job, says the simple answer is that what was once "a grotty business" is now a serious, growing advertising market.

Outdoor advertising is now worth $18bn (£10.7bn) a year, and has 6 per cent share of the world display advertising market. It is dwarfed by print, television and radio advertising, but is growing faster than most other forms of advertising, particularly in bus shelters and automatic public conveniences – street furniture in the jargon.

It is also one of the rare industries where the US remains an emerging market. Outdoor advertising has a 12 per cent market share in France and 5 per cent in the UK, but it claims just 1¼ per cent of the advertising spend in the US.

The US has the added appeal of being a highly fragmented market, where the top five companies control less than half of the market.

Clear Channel and Decaux have both decided that they can only attack the US market if they are big enough to fund investment in new products and bids for large contracts.

The industry's other big change has been an invasion of professional management. Decaux and the German group Wall remain family-controlled. But More's chief executive, Roger Parry, trained at McKinsey and is married to one of the consultancy's partners, while Ron Zeghibe of the UK poster group Maiden and Lowry Mays of Clear Channel are both Harvard Business School graduates.

Jean-François Decaux's father, Jean-Claude, started off 38 years ago by designing a bus shelter and driving it around France on the back of a truck to show to local councils. "Right now, it's basically my father, my brother and myself," Mr Decaux said yesterday, but the family recognises that it needs more international management.

Decaux and More diverge on the question of competition. The British group points to the fact that the pair would control 88 per cent of the UK street furniture market if they combined, with almost every local authority contract in the country.

Decaux, by contrast, believes that the Office of Fair Trading should look at the entire outdoor advertising market – including billboards, buses and trains – where More has a 21 per cent share and Decaux 3 per cent.

Mr Decaux says street furniture is "like the tennis circuit, with a group of big players going from one city to another pitching for contracts."

Many analysts disagree with Decaux's claim that the street furniture market is a genuine hotbed of competition. While Wall and US groups such as OSI and TDI may turn out for large city contracts such as New York, Sydney and Edinburgh, they have made minimal impact in local authority tenders.

One analyst described the UK market as a cartel and dismissed Decaux's claims as "a French farce".

The conspiracy theorists believe that Decaux's bid is a clever way to force Clear Channel to overpay and to get a look at its rival's plans.

The OFT is more likely to be swayed by what the local councils have to say. Decaux's arguments were supported by Peter Spalding, a former mayor of Croydon, who welcomed the prospect of a more co-ordinated product range.

Roger Banks, the public transport engineer for Portsmouth council, said he would be concerned to see the two companies link, however: "The fact that More and Decaux have been challenging for the same market does keep prices down and ensures local authorities get a good deal.

McAlpine prepared for US disposals

By Jonathan Guthrie

Alfred McAlpine, the construction company, said yesterday it was prepared to sell its US civil engineering and construction operations.

Oliver Whitehead, chief executive, said: "There is no 'for sale' sign hanging up over the companies, but it is no secret they are not part of the long-term plan." He said McAlpine had been approached by potential buyers for the businesses, which have net assets of £68m ($114m).

The news highlights the disillusionment of some UK building industry companies with the highly competitive US market. Last week Caradon said it would sell its underperforming US doors and windows businesses. A week earlier, John Laing announced it would move its US housebuilding interests to a joint venture company as a prelude to flotation.

Operating profits from the two subsidiaries, Blythe Construction and Becker Minerals, slid from £3.67m to £2.86m in 1997 on a £2.61m fall in turnover to £98.8m. Their operating margin fell to 2.9 per cent.

The decline followed tougher competition in North Carolina, Blythe's home territory. Mr Whitehead said state plans to spend $1.7bn on infrastructure in 1998 "attracted lots of out-of-state contractors and prices fell 20 per cent."

The strength of UK housebuilding allowed McAlpine to shrug off poor US results and more than double pre-tax profits to £20.8m.

US consumer group worry on Texas bid

By Andrew Taylor

One of the largest consumers organisations in the US has expressed concern about Texas Utilities' £4.45bn ($7.43bn) bid for Energy Group in a letter to Offer, the UK electricity industry regulator.

Jane Briesmeister, senior policy analyst at the Southwest Regional Office of Consumers Union said she believed the bid should be referred for investigation by the Monopolies and Mergers Commission.

The Consumers Union letter to Offer, signed by Ms Briesmeister, described the offer as "like a rattlesnake trying to swallow an armadillo – possible but not easy."

It said: "The acquisition raises serious questions about the ability of regulators in Texas and Britain to protect customers of regulated utility services from adverse consequences that could result from this investment."

CU plans to set up in Russia

By Christopher Adams

Commercial Union, the composite insurer which plans to merge with General Accident, is to enter the Russian insurance market.

It is expected to announce plans shortly for a Moscow-based life assurance operation that would build on the group's presence in eastern Europe.

Few foreign insurers have established a significant presence in Russia, where insurance spending is low but demand for life and savings products is rising.

Political and legislative uncertainty that followed the collapse of the former Soviet Union has deterred many potential investors as have restrictions on foreign ownership of domestic companies. Those that have invested in Russia include Allianz of Germany and AIG, the leading US-based international insurer.

Edinburgh-based Scottish Provident, the mutually owned life assurer, has interests in Russia. It set up a joint venture with Employers Re of the US, the Independent Trade Union of Russian Servicemen and the European Bank for Reconstruction and Development three years ago.

CU has a fast-growing business in Poland and set up in the Czech Republic last year. The Russian life operation will be modelled along lines similar to the Polish business. CU increased annual sales in Poland last year by 51 per cent to £57m, has more than 650,000 policies on its books, and a 40 per cent market share of individual life business.

CU is likely to distribute products in Russia through a tied salesforce. Investment in the business is likely to be small initially, as it was in Poland. It has been talking to possible partners for more than a year.

It is also considering expanding elsewhere in eastern Europe and the former Soviet Union.

British Midland soars to £17m

By Michael Skapinker

Investment in its business class service helped British Midland almost triple pre-tax profits from £6.1m to £17.3m ($28.9m) last year.

The airline, which is 40 per cent owned by Scandinavian Airlines System, said its outcome had also been buoyed by the three-day British Airways strike last summer. The additional passengers had added £3m to profits, said Sir Michael Bishop, chairman.

Investment in the airline's business class had increased revenues and yields, the amount charged per passenger per mile. Turnover for 1997 increased by 11 per cent to £529.3m.

The number of passengers carried grew by 7 per cent to 5.7m.

The load factor, or aircraft seat occupancy, was 65.4 per cent, compared with 63.2 per cent in 1996.

Sir Michael said British Midland had withstood competition from new low cost carriers.

The airline had won business from Richard Branson's Virgin Express, which had taken over flights between London and Brussels previously operated by Sabena of Belgium.

Competition in the low cost sector increased yesterday when British Airways confirmed that Go, its new no-frills carrier, would fly from London's Stansted airport to Rome, Milan and Copenhagen. Unlike EasyJet and Virgin, Sir Michael said British Midland had no objection to the establishment of Go. Barbara Cassani, Go's chief executive, said fares on all three routes would be £100 return, including taxes.

Four operators in bid for MTL

By Jonathan Ford

Four of the UK's largest public transport operators are understood to have joined the bidding for MTL, the Merseyside bus and train company put up for sale in February after shelving its plans to float on the London Stock Exchange.

The company, which set a deadline of last week for indicative offers, is understood to have received proposals from Stagecoach, FirstGroup, Arriva and Go-Ahead.

MTL is evaluating the bids with its advisers, SBC Warburg and KPMG, and a deal is not expected before the end of this month.

Stagecoach and Go-Ahead are both thought to have made offers to buy the entire company for about £100m ($167m).

MTL is also understood to be looking at proposals that would involve selling the business in parts. FirstGroup is thought to be interested only in acquiring MTL's London bus operation. Arriva is also believed to be looking at buying just parts of the business.

Peter Coombes, MTL chairman, is determined to realise the maximum value for its 2,500 employee shareholders and is reported to be prepared to withdraw the business from sale unless a high offer is received.

Analysts had pencilled in a flotation value of around £150m for the company. But this would have involved it having to raise fresh capital to repay its £40m of debt.

However, even after adjusting for the debt, the indicative bids received are still lower than the value expected for the company had it floated.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Pool purchase price	Pool purchase price	Pool selling price	% rate of system price
0030	[illegible]	[illegible]	[illegible]	[illegible]
0100	[illegible]	[illegible]	[illegible]	[illegible]
0130	[illegible]	[illegible]	[illegible]	[illegible]
0200	[illegible]	[illegible]	[illegible]	[illegible]
0230	[illegible]	[illegible]	[illegible]	[illegible]
0300	[illegible]	[illegible]	[illegible]	[illegible]
0330	[illegible]	[illegible]	[illegible]	[illegible]
0400	[illegible]	[illegible]	[illegible]	[illegible]
0430	[illegible]	[illegible]	[illegible]	[illegible]
0500	[illegible]	[illegible]	[illegible]	[illegible]
0530	[illegible]	[illegible]	[illegible]	[illegible]
0600	[illegible]	[illegible]	[illegible]	[illegible]
0630	[illegible]	[illegible]	[illegible]	[illegible]
0700	[illegible]	[illegible]	[illegible]	[illegible]
0730	[illegible]	[illegible]	[illegible]	[illegible]
0800	[illegible]	[illegible]	[illegible]	[illegible]
0830	[illegible]	[illegible]	[illegible]	[illegible]
0900	[illegible]	[illegible]	[illegible]	[illegible]
0930	[illegible]	[illegible]	[illegible]	[illegible]
1000	[illegible]	[illegible]	[illegible]	[illegible]
1030	[illegible]	[illegible]	[illegible]	[illegible]
1100	[illegible]	[illegible]	[illegible]	[illegible]
1130	[illegible]	[illegible]	[illegible]	[illegible]
1200	[illegible]	[illegible]	[illegible]	[illegible]
1230	[illegible]	[illegible]	[illegible]	[illegible]
1300	[illegible]	[illegible]	[illegible]	[illegible]
1330	[illegible]	[illegible]	[illegible]	[illegible]
1400	[illegible]	[illegible]	[illegible]	[illegible]
1430	[illegible]	[illegible]	[illegible]	[illegible]
1500	[illegible]	[illegible]	[illegible]	[illegible]
1530	[illegible]	[illegible]	[illegible]	[illegible]
1600	[illegible]	[illegible]	[illegible]	[illegible]
1630	[illegible]	[illegible]	[illegible]	[illegible]
1700	[illegible]	[illegible]	[illegible]	[illegible]
1730	[illegible]	[illegible]	[illegible]	[illegible]
1800	[illegible]	[illegible]	[illegible]	[illegible]
1830	[illegible]	[illegible]	[illegible]	[illegible]
1900	[illegible]	[illegible]	[illegible]	[illegible]
1930	[illegible]	[illegible]	[illegible]	[illegible]
2000	[illegible]	[illegible]	[illegible]	[illegible]
2030	[illegible]	[illegible]	[illegible]	[illegible]
2100	[illegible]	[illegible]	[illegible]	[illegible]
2130	[illegible]	[illegible]	[illegible]	[illegible]
2200	[illegible]	[illegible]	[illegible]	[illegible]
2230	[illegible]	[illegible]	[illegible]	[illegible]
2300	[illegible]	[illegible]	[illegible]	[illegible]
2330	[illegible]	[illegible]	[illegible]	[illegible]
2400	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Brooks Service	Yr to Dec 27	30.5	(28.3)	1.66	(1.22)	9.67†	(6.95)	2.7	June 2	2.3	4	3.5
CNC Properties	Yr to Dec 31	11.4	(7.36)	4.11	(2.36♠)	10.8†	(12.3)	1.9	July 3	1.7	3.3	3
French Connection	Yr to Jan 31	93.7	(83)	8.21	(6.23)	27.5	(17.6)	2.5	July 1	2.25	3.25	2.75
Hardy U'writing♦	11 mths to Dec 31☆	-	(-)	2.23	(0.293)	20.8	(6.1)	6	May 11	2	6	2
Independent News ♣	Yr to Dec 28 ★	598.6	(419.1)	100.1♥	(73.5♥)	23	(16.52)	5.2	May 28	4.6	7.8	6.9
Johnston Press	Yr to Dec 31	212	(165)	34.6♠	(24.1♥)	11.98†	(10.2)	2	May 15	1.7	3	2.45
Lands Improvement	Yr to Dec 31	12	(39.2)	0.702♠	(4.05♠)	3.26	(12.3)	3	June 1	3	4.75	4.75
McAlpine (Alfred)	Yr to Dec 31	658.7	(593.6)	20.8♠	(9.44♠)	16.8†	(10)	4.5	June 12	4	7.5	7

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ♦Ann stock. ☆Comparatives for 12 months. ♣Irish currency. ★Comparatives restated.

German bunds lead Europe lower

GOVERNMENT BONDS
By Vincent Boland in London and John Labate in New York

Markets drifted lower yesterday, lacking any inspiration from domestic data, as investors awaited the key news of the week – Friday's US jobs figures.

Turnover in both the cash and futures markets was relatively light, with an auction of long-dated stock in Germany absorbing liquidity.

The US Federal Reserve's decision on Tuesday to leave its interest rate regime unchanged was seen as a positive signal for bonds, but European markets were upset by speculation that the Bundesbank might raise its repo rate this week.

Analysts said it was very unlikely the German central bank would do so at this stage, although they reiterated the view that it was likely to raise rates later in the year.

The Irish central bank, meanwhile, appeared to back suggestions by the governor of the Bank of Spain earlier in the week that rates should not be cut too soon so inflation could continue to be kept in check.

With economic growth in those countries racing ahead, the logical step would be to raise rates that are due to be cut for European monetary union purposes.

"If Emu convergence is stopping them [rate rises], the Bundesbank will have to make one of those rare decisions to hike rates for external rather than domestic reasons," said David Brown at Bear Stearns.

The speculation unnerved the short end of the **GERMAN BUND** market and dragged other European markets down. An auction of DM6.5bn of 30-year stock also hit the long end, and there was little inspiration from US Treasuries, which were trading flat at the European close.

The June bund future settled 0.17 lower in London at 107.13 while turnover on the DTB was active, with 430,000 contracts exchanged. The future was trading at 107.09 later, well within the day's trading range.

Italian, Spanish and French bonds also ended lower but held up better than bunds.

UK GILTS shrugged off a purchasing managers' index showing some improvement in manufacturing conditions in March, with strong domestic demand, rising for the first time in six months, offsetting weaker exports.

Jonathan Loynes, at HSBC Markets, said while the data would "help to keep the markets' nerves on edge in the run-up to next week's monetary meeting, it should not be enough to prompt a rate hike".

The June future settled $\frac{1}{32}$ lower at 108$\frac{1}{32}$, with 65,000 contracts traded on Liffe, and the spread over 10-year bunds stood at 107 basis points.

US TREASURIES were mostly lower on the release of new figures on national business activity.

By midday the 30-year bond, the benchmark for long-term interest rates, had fallen $\frac{1}{32}$ to 102$\frac{1}{32}$, yielding 5.948 per cent. The two-year note was down $\frac{1}{32}$ to 99$\frac{1}{32}$, yielding 5.584 per cent and the 10-year note was off $\frac{1}{32}$ at 98$\frac{1}{32}$, yielding 5.662 per cent.

The market opened firmer but then fell after the March report by the National Association of Purchasing Management showed little sign that Asia had yet slowed US economic growth.

The key NAPM index rose to 54.8 from 53.3 reported in February. The prices paid component, an important indicator of inflation, was down to 44.4.

"The NAPM report was stronger than expected, but prices were well-behaved," said Tom O'Connell, senior government trader at First Chicago Capital Markets.

Today new figures on manufacturers' orders and initial unemployment claims will be released.

Uruguay issues 10-year global

INTERNATIONAL BONDS
By Samer Iskandar

Borrowers continued to focus on the dollar sector yesterday, giving investors time to absorb the recent heavy supply of sterling bonds.

URUGUAY, a rare borrower on the international markets, launched $250m of 10-year global bonds.

After three days of marketing to build an order book, the lead manager, ABN Amro, priced the bonds yesterday at the wider end of the indicated spread range of 135–140 basis points over US Treasuries.

Last year Uruguay launched a 30-year issue at a spread of 135 basis points, which is now trading roughly 50 points wider in the wake of the Asian financial crisis. A 10-year deal launched two-years ago was trading yesterday at a spread of 125 points.

ABN Amro said the deal attracted specialised credit-sensitive investors, as well as European retail buyers. Uruguay is one of only three South American countries with investment grade ratings (BBB– and Baa3 from S&P and Moody's respectively) alongside Chile and Colombia.

BRITISH GAS issued $500m of five-year bonds with a 6.125 per cent coupon, the session's largest deal.

MERRILL LYNCH launched its largest transaction to date in the D-Mark sector – DM750m of 10.75-year bonds. The maturity matches those of a recent jumbo deal by KfW and the first euro-denominated bund, which is due to be launched after European monetary union next January.

In recent days, the steepness of the yield curve has spurred investor interest in longer-dated D-Mark bonds. Merrill Lynch said investors were now increasingly willing to hold bonds with maturities of more than 10 years.

In the French franc sector, LVMH, the luxury goods group, issued FFr800m of equity-linked bonds, whose redemption price is linked to the level of its shares.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
British Gas Intl Finance	500	6.125	99.663R	Apr 2003	0.30R	+50(5¾%Mar03)	Goldman Sachs Intl
GECC‡	475	(d)	99.982R	Apr 2000	0.10R	-	Paribas
Bayerische Hypo	250	6.00§	99.905R	Apr 2002	0.25R	+34(5¾%Feb01)	Commerzbank/SocGen
EIB(a)	250	5.75	98.194R	Apr 2008	0.325R	+24(5½%Feb08)	ABN Amro
Natl Rural Utilities Co-op	250	6.25	99.687R	Apr 2003	0.325R	+59(5½%Mar03)	JP Morgan Securities
Republic of Uruguay(g)	250	7.00§	99.951R	Apr 2008	0.625R	+140(Feb08)	ABN Amro
Den norske Bank(b)‡	130	(b1)	99.965	Apr 2008	0.40	-	Deutsche Bank London
Yamalo-Nenets	100	12.25§	99.983R	Apr 1999	1.00R	+640(Libor)	Lehman Brothers
D-MARKS							
Merrill Lynch & Co	750	5.375	99.07R	Jan 2009	0.40R	+55(5¾%Jan08)	Merrill Lynch Plc
Rabobank Nederland	500	4.50	99.48R	May 2003	0.25R	+10(5%Nov02)	Rabobank International
STERLING							
Sasco Europe, 98-C1, A(c)‡	79.86	(c1)	100.00	Mar 2025	0.20	-	Lehman Brothers
FRENCH FRANCS							
LVMH(f)	800	1.00	100.00	May 2005	-	-	JP Morgan/SocGen
ITALIAN LIRE							
Unibanco	150bn	7.50	99.75R	Apr 2000	0.625R	+295(swaps)	Chase Manhattan Intl
SWISS FRANCS							
GECC	250	3.00	101.75	Dec 2006	2.50	-	Deutsche Bank/SBCWDR
EUROS(e)							
Endesa	300	4.75§	99.83R	Jul 2008	0.25R	+10(4¾%Jul08)	Deutsche Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ‡ Floating-rate note. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) Fungible with $750m. Plus 89 days accrued. b) Callable from Apr 03 at par. b1) 3-mth Libor +37½bp to Apr 03, then +112½bp. c) Average life: 3 yrs. c1) 1-mth Libor +35bp. c2) Also issued: Class M: £9.93m, Class B1: £5.34m, Class B2: £6.87m. d) 3-mth Libid flat. e) Spread relates to French govt Ecu bonds. Pays in Ecu prior to Emu. f) Redemption linked to performance of LVMH shares. Callable in 5 yrs. g) Short 1st and long last coupons. §) Long 1st coupon.

State sale of Bank Austria completed

By Eric Frey in Vienna

The privatisation of Bank Austria was completed yesterday after the sale of 2m shares to domestic investors in Sch1.76bn secondary public offering, boosting the liquidity of Austrian bank shares.

Dresdner Kleinwort Benson and CAIB Investment Bank, lead managers, said they placed the shares at Sch880 each, Sch10 less than yesterday's closing price. The offering was several times oversubscribed and closed early.

Retail buyers received preferential treatment. The shares are entitled to the full 1997 dividend. If the new owners keep the shares for more than two years, they will receive another 5 per cent bonus.

The issue was the last tranche from the 11 per cent stake originally held by the federal government. The shares were transferred to the state-owned postal holding company last year, which placed a third with institutions and sold the remaining 6.6m shares to Dresdner Kleinwort Benson in February for placement.

Dresdner KB immediately sold 4.6m shares to 50 institutional investors in 12 different countries, leaving 2m shares for the Austrian stock market, where Bank Austria is now the most liquid share. The government netted a total of Sch7.6bn from the Bank Austria sale.

Bank Austria also said it would give full voting rights to its preference shares later this year, bringing them in line with its other listed shares. After yesterday's placement, about 60 per cent of Bank Austria shares are in free float.

Benchmark eurobond for Slovakia

By Kevin Done, East Europe Correspondent

The Slovak government is pressing ahead with plans to raise $500m to $1bn in a benchmark eurobond issue by the early summer, in spite of growing concerns expressed by the leading credit rating agencies. The issue will be lead-managed by Nomura.

Slovakia lost its investment grade rating from Moody's Investors Service late on Monday and S&P and Fitch IBCA said yesterday they were following developments closely.

S&P is still rating Slovakia at BBB–, the lowest investment grade rating, with a stable outlook but it said yesterday it had concerns over "the weakening of the country's external position, in the rapid rise in short-term external debt and the weakness of the banking system".

Fitch IBCA warned late last year that approval of proposed legislation, which would weaken the independence of the central bank, "could be the trigger for a downgrade".

Spreads on Slovak debt have widened sharply in recent months, as perceptions of the country risk have deteriorated, opening a wide pricing gap between Slovakia and the fast-track reform countries of the region, such as Hungary and Poland.

The present benchmark Slovak eurobond, the government-guaranteed 10-year issued by Vodohospodarska Vystavba, the water utility, at the end of 1996 at 115 basis points more than US Treasuries, is currently trading at 350 basis points over Treasuries.

By contrast Hungary issued a five-year, $300m eurobond on Monday priced at only 81 basis points over US Treasury notes.

Investors' growing concerns over Slovakia were confirmed when Moody's downgraded it from the investment grade Baa3, the equivalent of BBB–, to speculative grade Ba1 at the beginning of the week.

Moody's said the downgrade was based on the consistently high budget and current account deficits in Slovakia, which had been financed increasingly by short-term, foreign borrowing.

The Slovak central bank has been forced to impose high real interest rates, and the increasing burden of servicing domestic debt has forced Slovak companies and banks to finance their operations and investment needs abroad.

Moody's said the country's good record on GDP growth, investment and industrial output came from "high levels of public spending and rapidly growing short-term foreign currency debt".

The agency warned that "pressure will grow during 1998 for a devaluation, which would increase debt and the debt servicing burden and could lead to difficulties in private sector debt payments".

It said the country's economic competitiveness had been hit by rising unit labour costs, an appreciating currency (versus the Czech koruna and D-Mark), and insider privatisation.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

[illegible]

BOND FUTURES AND OPTIONS

France

NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

[illegible]

Germany

[illegible]

Italy

[illegible]

Spain

[illegible]

UK

[illegible]

US

[illegible]

Japan

[illegible]

Ecu

ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Jun	103.32	103.12	–0.12	103.32	103.10	1,949	4,802

US CORPORATE BONDS

[illegible]

US INTEREST RATES

[illegible]

INTERNATIONAL BONDS

[illegible]

10 YEAR BENCHMARK SPREADS

[illegible]

EMERGING MARKET BONDS

[illegible]

UK BONDS

FTSE Actuaries Govt. Securities

[illegible]

UK Indices

[illegible]

FT Fixed Interest Indices

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

Tokyo officials hold dollar back

MARKETS REPORT

By Simon Kuper

Threats of intervention from Tokyo halted the dollar's rise yesterday.

The yen firmed marginally on the first day of Japan's Big Bang of financial deregulation, closing in London at Y133.2 to the dollar. It managed to buck a 1.78 per cent fall in the Nikkei share average, with which it normally moves in tandem.

Hikaru Matsunaga, Japan's finance minister, said: "The yen's fall is unfavourable. We will continue to monitor market developments and respond in a timely and appropriate manner." He added: "If things continue as they are, there may be criticism from abroad of Japan's external surpluses."

Eisuke Sakakibara, the senior finance ministry official known as "Mr Yen", was quoted as saying: "We are strongly concerned about the continuing weak yen trend. We are keeping in contact with the US on this issue." The yen's fall below Y133 to the dollar was "excessive". The Group of Seven industrialised nations would discuss exchange rates at its meeting next month, he added.

However, Masaru Hayami, governor of the Bank of Japan, undermined his colleagues' implicit threats of intervention. He indicated that Japan's rising current account surplus and its nearly $1,000bn of foreign assets argued for a stronger yen. However, he also said that markets decided currency rates. If markets thought changes in currencies were excessive, they would correct them. This implied that the bank would keep its hands off the yen.

In any case, said Gerard Lyons, chief economist at DKB International in London: "I believe that intervention would merely delay the inevitable." The weak economy presaged a further yen slide. The Bank of Japan's quarterly *tankan* survey of industry, due out today, is widely expected to be extremely pessimistic.

The dollar continued to advance beyond its recent range against the D-Mark, climbing in late US trading to DM1.8548, 0.5 pfg above Tuesday's London close. There was talk that the Bundesbank had been either selling dollars or enquiring about prices around DM1.8550. The dollar's rise dragged the pound a touch higher to DM3.099, its peak since July 1989.

Larry Summers, US deputy treasury secretary, helped the dollar modestly by saying that US dollar policy remained unchanged, just in case anyone was wondering.

■ The rouble slipped after Sergei Dubinin, governor of Russia's central bank, told the Financial Times that the currency should devalue in line with inflation. He noted that the rouble had been rising in real terms, because its fall against the dollar was slower than the rise in prices.

Juliet Sampson, emerging markets analyst at Bank of America in London, welcomed his statement, noting that the strong rouble had reduced Russia's trade surplus virtually to zero over the past year. The slide in the oil price since October has damaged the country's exports.

She also said that Mr Dubinin's comments suggested that the central bank would start to pay attention to the exchange rate instead of concentrating almost obsessively on interest rates.

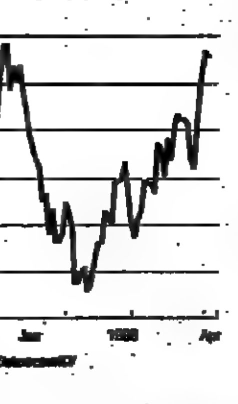
■ The South African rand, after piercing the R5 floor against the dollar for the first time at the start of the week, came under attack again yesterday because of comments by Chris Stals, governor of the Reserve Bank. He said he was not unhappy to see the rand "adjust", and indicated that he would not intervene in the market to defend it.

Yesterday, however, traders said the bank had been buying rand at about R5.0450 to the dollar. The currency ended the day at that level, 0.5 cents down from Tuesday. Philip Shaw, chief economist at Investec in London, said the central bank wanted to smooth the rand's decline rather than reverse it.

■ Today the German constitutional court is due to announce whether it will admit a case filed by 4 professors arguing that European monetary union is unconstitutional.

Dollar

Against the yen (¥ per $)



Source: Datastream/ICV

■ POUND IN NEW YORK

Apr 2	—Latest—	— Prev. close —
£ spot	1.6715	1.6720
1 mth	1.6688	1.6693
3 mth	1.6631	1.6644
1 yr	1.6457	1.6464

■ OTHER CURRENCIES

Apr 1	£	$
Czech Rp	57.2540 - 57.3450	34.1800 - 34.2160
Hungary	357.345 - 357.642	213.340 - 213.380
Iran	5020.00 - 5025.00	3000.00 - 3000.00
Kuwait	0.5117 - 0.5128	0.3051 - 0.3052
Peru	4.6857 - 4.6892	2.7965 - 2.8020
Poland	5.7821 - 5.7886	3.4820 - 3.4840
Russia	10.2262 - 10.2428	6.1072 - 6.1110
U.A.E.	6.1521 - 6.1558	3.6729 - 3.6730

WORLD INTEREST RATES

MONEY RATES

Apr 1	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	3½	3¾	3¾	3¾	3⅞	6.00	2.75	–
France	3½	3⅝	3⅝	3⅝	3⅝	4.60	–	3.30
Germany	3½	3½	3⅝	3⅜	3¾	4.50	2.50	3.30
Ireland	5⅜	6¼	5⅝	5⅛	4⅞	–	–	6.75
Italy	5¼	5⅝	5½	4⅞	4½	7.00	5.50	5.83
Netherlands	3¾	3⅝	3⅝	3⅝	3⅞	–	2.75	3.30
Switzerland	1¼	1⅛	1⅛	1⅛	1⅛	–	1.00	–
US	5⅝	5⅝	5⅝	5⅝	5⅞	–	5.00	–
Japan	¼	⅜	½	⅝	⅞	–	0.50	–
■ $ LIBOR BBA London								
Interbank Fixing	–	5⅝	5⅝	5¾	5⅞	–	–	–
US Dollar CDs	–	5.53	5.53	5.56	5.67	–	–	–
ECU Linked Ds	–	4¼	4¼	4¼	4¼	–	–	–
SDR Linked Ds	–	3¾	3¾	3⅞	3⅞	–	–	–

The FT has replaced the Libor FT London Interbank fixing rate with the BBA London rate. Any comments should be sent to Martin Dickson, Financial Editor, at the FT.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Apr 1	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3¾ - 3⅝	3⅞ - 3¾
Danish Krone	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	3⅞ - 3¾	4⅛ - 4
German Mark	3¼ - 3⅛	3⅜ - 3¼	3⅜ - 3¼	3½ - 3⅜	3⅝ - 3½	3¾ - 3⅝
Dutch Guilder	3¾ - 3⅝	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	3⅞ - 3¾
French Franc	3½ - 3⅜	3½ - 3⅜	3⅝ - 3½	3⅝ - 3½	3¾ - 3⅝	3⅞ - 3¾
Portuguese Esc.	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4½ - 4⅜	4½ - 4⅜
Spanish Peseta	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	4½ - 4⅜	4⅜ - 4¼	4⅜ - 4¼
Sterling	7⅛ - 7⅛	7½ - 7⅜	7½ - 7⅜	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½
Swiss Franc	1⅜ - 1¼	1⅛ - 1	1¼ - 1⅛	1⅜ - 1¼	1⅜ - 1¼	1⅝ - 1½
Canadian Dollar	4⅝ - 4½	4⅝ - 4½	4⅝ - 4½	5⅛ - 4⅞	5⅛ - 4⅞	5⅛ - 4⅞
US Dollar	5¾ - 5⅝	5¾ - 5⅝	5⅝ - 5½	5⅝ - 5½	5¾ - 5⅝	5⅞ - 5¾
Italian Lira	6⅛ - 5⅞	5⅞ - 5¾	5⅝ - 5½	5⅜ - 5¼	4⅞ - 4¾	4⅝ - 4½
Japanese Yen	½ - ⅜	⅝ - ½	⅝ - ½	¾ - ⅝	¾ - ⅝	⅞ - ¾
Asian $Sing	3¼ - 3⅛	5¼ - 5	4⅞ - 4¾	4⅞ - 4¾	6¼ - 6	6¼ - 6

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.250	96.220	–0.020	96.260	96.215	22,093	72,431
Sep	96.095	96.085	–0.035	96.110	96.080	6,220	33,198

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	96.290	96.255	–0.035	96.300	96.250	79185	405888
Sep	96.130	96.100	–0.030	96.140	96.085	52315	358228
Dec	95.930	95.900	–0.025	95.935	95.885	[illegible]	370597
Mar	95.800	95.775	–0.020	95.805	95.755	66748	236218

■ ONE MONTH EUROMARK FUTURES (LIFFE)* DM3m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Apr		96.43	-			0	600
May		96.39	-			0	1

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.37	95.32	–0.05	95.37	95.31	29083	228950
Sep	95.81	95.72	–0.05	95.81	95.71	18089	241517
Dec	95.88	95.81	–0.05	95.88	95.78	8311	202080
Mar	95.75	95.74	–0.01	95.75	95.72	7448	171926

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	98.43	98.35	–0.05	98.44	98.28	34927	57400
Sep	98.26	98.19	–0.06	98.27	98.12	14418	[illegible]
Dec	98.05	97.99	–0.04	98.06	97.93	7457	24142
Mar	97.94	97.89	–0.03	97.94	97.81	1880	9496

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun		99.31	-			0	n/a
Sep		99.30	-			0	n/a
Dec	99.26	99.28	+0.02	99.28	99.28	500	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	95.78	95.77	–0.04	95.78	95.77	579	13544
Sep	95.82	95.80	–0.04	95.83	95.80	694	15145
Dec	95.85	95.87	–0.03	95.88	95.85	71	6807
Mar	95.74	95.76	–0.05	95.78	95.74	38	5480

* LIFFE futures also traded on APT

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9625	0.22	0.59	0.67	0.09	0.05	0.05
9650	0.09	0.37	0.45	0.21	0.08	0.08
9675	0.03	0.19	0.26	0.40	0.15	0.14

Est. vol. total, Calls n/a Puts n/a. Previous day's open int., Calls n/a Puts n/a

POUND SPOT FORWARD AGAINST THE POUND

Apr 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	21.8036	+0.0157	931 - 140	21.8376	21.7108	21.7282	4.1	21.5983	3.9	21.0086	3.4	102.3
Belgium	(BFr)	63.9221	+0.038	811 - 630	63.9860	63.6170	63.7086	4.0	63.3253	3.7	61.7613	3.4	101.3
Denmark	(DKr)	11.8118	+0.0085	066 - 170	11.8296	11.7632	11.7744	3.8	11.7076	3.5	11.4462	3.1	100.5
Finland	(FM)	9.4066	+0.0079	984 - 148	9.4210	9.3700	9.3743	4.1	9.3162	3.8	9.0838	3.4	79.7
France	(FFr)	10.3808	+0.0053	785 - 900	10.3976	10.3414	10.3452	4.1	10.2819	3.8	10.0277	3.4	104.7
Germany	(DM)	3.0991	+0.0022	976 - 006	3.1040	3.0865	3.0895	4.1	3.0697	3.8	2.9937	3.4	102.4
Greece	(Dr)	539.936	+4.45	822 - 025	541.240	534.341	541.703	–3.9	544.876	–3.7	557.275	–3.2	58.9
Ireland	(I£)	1.2327	+0.0008	303 - 350	1.2355	1.2279	1.2313	1.3	1.2278	1.6	1.2081	2.4	91.9
Italy	(L)	3055.40	+2.82	036 - 744	3059.13	3042.12	3050.49	1.9	3039.22	2.1	2973.26	2.7	75.0
Luxembourg	(LFr)	63.9221	+0.038	811 - 630	63.9860	63.6170	63.7086	4.0	63.3253	3.7	61.7613	3.4	101.3
Netherlands	(Fl)	3.4923	+0.0013	907 - 938	3.4971	3.4786	3.4802	4.2	3.4583	3.9	3.3721	3.4	100.5
Norway	(NKr)	12.8692	+0.042	622 - 761	12.8257	12.7167	12.7883	3.7	12.6985	3.4	12.4367	2.9	98.4
Portugal	(Es)	317.390	+0.226	212 - 569	317.775	315.880	316.022	3.0	314.936	3.1	307.276	3.2	98.8
Spain	(Pta)	263.028	+0.098	908 - 148	263.389	262.010	262.4	2.9	261.084	3.0	254.936	3.1	79.1
Sweden	(SKr)	13.4330	–0.0411	168 - 398	13.4496	13.3658	13.3597	3.1	13.3328	2.8	13.0033	2.5	85.5
Switzerland	(SFr)	2.5637	+0.0106	621 - 653	2.5673	2.5407	2.5506	5.2	2.5281	5.0	2.4255	5.4	105.2
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	108.9
Ecu	–	1.5570	–0.0004	560 - 579	1.5607	1.5523	1.5526	3.4	1.5445	3.2	1.5[illegible]	3.1	-
SDR†	–	1.257684	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.6753	+0.001	747 - 758	1.6775	1.6693	-	-	-	-	-	-	-
Brazil	(R$)	1.9052	+0.0011	045 - 058	1.9077	1.8984	-	-	-	-	-	-	-
Canada	(C$)	2.3746	–0.0089	735 - 757	2.3781	2.3642	2.3680	2.8	2.358	2.8	2.3199	2.3	83.6
Mexico	(New Peso)	14.2385	–0.0254	375 - 404	14.2865	14.1666	14.3812	–12.0	14.6868	–12.7	16.0501	–12.7	-
USA	($)	1.6755	+0.0009	750 - 760	1.6778	1.6685	1.6738	1.0	1.6691	1.6	1.6485	1.6	110.6
Pacific/Middle East/Africa													
Australia	(A$)	2.5348	+0.0056	321 - 375	2.5385	2.5227	2.5295	2.5	2.519	2.5	2.4738	2.4	87.7
Hong Kong	(HK$)	12.9832	+0.0083	789 - 875	13.0011	[illegible]	12.9865	1.5	12.9813	0.7	13.1142	–1.2	-
India	(Rs)	66.1655	+0.05	280 - 030	66.2080	65.9450	-	-	-	-	-	-	-
Israel	(Shk)	6.0353	+0.0025	303 - 403	6.0482	6.0281	-	-	-	-	-	-	-
Japan	(Y)	223.177	–0.133	030 - 327	223.880	222.100	221.812	7.3	219.377	6.8	208.487	6.6	117.3
Malaysia	(M$)	6.1910	+0.0668	808 - 012	6.2071	6.0689	6.2146	–4.6	6.2338	–2.7	6.3586	–2.7	-
New Zealand	(NZ$)	3.0378	+0.0065	350 - 406	3.0439	3.0233	3.0434	–2.2	3.0528	–2.0	3.0793	–1.4	88.0
Philippines	(Peso)	64.2135	+0.7481	850 - 422	64.5085	63.9720	64.7634	–10.5	65.8332	–10.1	70.8408	–10.3	-
Saudi Arabia	(SR)	6.2842	+0.0048	819 - 865	6.2931	6.2620	6.2771	1.4	[illegible]	1.2	6.2166	1.1	-
Singapore	(S$)	2.7156	+0.0112	135 - 176	2.7186	2.6996	2.7141	0.6	2.7094	0.9	2.6874	1.0	-
South Africa	(R)	8.4513	+0.0132	462 - 563	8.4682	8.4100	8.4836	–5.0	8.5727	–5.7	8.9964	–6.3	-
South Korea	(Won)	2329.78	+10.53	856 - 099	2335.46	2301.50	-	-	-	-	-	-	-
Taiwan	(T$)	55.0134	–0.0241	951 - 305	55.0766	54.8071	55.0126	0.0	54.9983	0.1	54.9063	0.2	-
Thailand	(Bt)	66.4237	+0.7075	825 - 648	66.7338	66.0900	66.9686	–10.2	67.7232	–7.9	71.1741	–7.1	-

† Rates for Mar 31. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. The exchange rates printed in this table are also available on the internet at http://www.FT.com

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	13.0131	+0.002	100 - 160	13.0440	12.9920	12.9901	2.2	12.9446	2.1	12.7641	1.9	102.0
Belgium	(BFr)	38.1510	+0.091	360 - 760	38.2200	38.0419	38.0855	2.1	37.9636	2.0	37.4435	1.9	101.4
Denmark	(DKr)	7.0487	–0.0001	467 - 507	7.0664	7.0365	7.0387	1.9	7.0187	1.8	6.9394	1.6	102.9
Finland	(FM)	5.6142	+0.0015	110 - 174	5.6276	5.6045	5.604	2.2	5.5851	2.1	5.5072	1.9	79.3
France	(FFr)	6.1955	–0.0004	940 - 960	6.2130	6.1846	6.1844	2.2	6.164	2.0	6.0794	1.9	104.2
Germany	(DM)	1.8497	+0.0003	495 - 500	1.8543	1.8460	1.8464	2.1	1.8408	2.0	1.815	1.9	102.1
Greece	(Dr)	322.255	+2.475	180 - 330	323.420	319.410	323.83	–5.9	326.855	–5.6	337.865	–4.8	58.1
Ireland	(I£)	1.3593	+0.0005	571 - 615	1.3624	1.3585	1.3588	0.6	1.3584	0.3	1.371	–0.9	-
Italy	(L)	1823.58	+0.65	360 - 455	1827.25	1819.77	1823.80	0.0	1822.02	0.3	[illegible]	1.2	74.8
Luxembourg	(LFr)	38.1510	+0.091	360 - 760	38.2200	38.0410	38.0855	2.1	37.9635	2.0	37.4435	1.9	101.4
Netherlands	(Fl)	2.0843	–0.0004	840 - 846	2.0895	2.0807	2.0804	2.2	2.0732	2.1	2.0443	1.9	100.5
Norway	(NKr)	7.6450	+0.0207	421 - 480	7.6637	7.6057	7.6334	1.8	7.6136	1.6	7.5411	1.4	95.9
Portugal	(Es)	189.430	+0.035	380 - 480	189.700	188.600	189.250	1.1	188.823	1.3	186.29	1.7	91.5
Spain	(Pta)	156.985	–0.05	935 - 010	157.280	156.700	156.853	0.9	156.52	1.2	154.54	1.6	75.8
Sweden	(SKr)	8.0145	+0.02	100 - 190	8.0282	7.9940	8.0086	1.2	7.993	1.1	[illegible]	1.6	85.5
Switzerland	(SFr)	1.5301	+0.0056	295 - 306	1.5346	1.5200	1.5247	4.2	1.5145	4.1	1.4706	3.9	105.5
UK	(£)	1.6755	+0.0009	750 - 760	1.6776	1.6685	1.6726	1.9	1.6691	1.8	1.6485	1.6	108.5
Ecu	–	1.0762	+0.0009	759 - 765	1.0771	1.0735	1.0775	–1.4	1.0801	–1.4	1.0932	–1.6	-
SDR†	–	0.74657	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9999	-	998 - 999	0.9999	0.9998	-	-	-	-	-	-	-
Brazil	(R$)	1.1371	-	370 - 371	1.1375	1.1365	-	-	-	-	-	-	-
Canada	(C$)	1.4173	–0.0049	170 - 175	1.4195	1.4140	1.4162	1.0	1.4143	0.9	1.4065	0.8	83.6
Mexico	(New Peso)	8.4960	–0.02	940 - 020	8.5000	8.4930	8.595	–14.8	8.8065	–14.5	9.7305	–14.6	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	111.3
Pacific/Middle East/Africa													
Australia	(A$)	1.5129	+0.0049	117 - 140	1.5150	1.5088	1.5121	0.6	1.5096	0.9	1.4988	0.8	88.2
Hong Kong	(HK$)	7.7488	+0.0005	485 - 491	7.7498	7.7480	7.7514	–0.4	7.7704	–1.1	7.9588	–2.8	-
India	(Rs)	39.4900	+0.0075	800 - 000	39.5000	39.4700	-	-	-	-	-	-	-
Israel	(Shk)	3.6021	–0.0003	990 - 052	3.6057	3.5960	-	-	-	-	-	-	-
Japan	(Y)	133.200	–0.155	150 - 250	133.850	132.750	132.595	5.5	131.515	5.1	126.405	5.1	118.8
Malaysia	(M$)	3.6950	+0.035	900 - 000	3.7125	3.6450	3.715	–6.5	3.7386	–4.5	3.855	–4.3	-
New Zealand	(NZ$)	1.8131	+0.0043	119 - 142	1.8149	1.8073	1.8162	–2.1	1.8216	–1.9	1.8404	–1.5	-
Philippines	(Peso)	38.3250	+0.425	000 - 500	38.5000	38.1000	38.7156	–12.2	39.467	–11.9	42.948	–12.1	-
Saudi Arabia	(SR)	3.7507	+0.0005	504 - 509	3.7508	3.7500	3.7525	–0.6	3.7557	–0.5	3.769	–0.5	-
Singapore	(S$)	1.6208	+0.0059	200 - 215	1.6235	1.6070	1.6215	–1.2	1.6243	–0.9	1.6293	–0.5	-
South Africa	(R)	5.0440	+0.005	425 - 455	5.0520	5.0370	5.0775	–8.0	5.1303	–7.6	5.3826	–6.0	-
South Korea	(Won)	1390.50	+6.5	000 - 000	1395.00	1376.00	-	-	-	-	-	-	-
Taiwan	(T$)	32.8340	+0.003	280 - 400	32.8820	32.8000	32.8985	–1.8	32.9715	–1.7	33.284	–1.4	-
Thailand	(Bt)	39.6500	+0.4	000 - 000	39.9000	39.3000	40.05	–12.1	40.5	–11.8	43.15	–9.8	-

† SDR rate per $ for Mar 31. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Mar 31. Base average 1990=100. Bid, offer, mid spot rates and forward rates in both this and the Sterling table are derived from THE WM/REUTERS CLOSING SPOT and FORWARD RATE services. Some values are rounded by the F.T.
The exchange rates printed in this table are also available on the internet at http://www.FT.com

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Apr 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.48	16.24	4.848	1.930	4780	5.463	20.04	498.5	411.5	21.01	4.011	1.564	3.715	2.621	349.1	2.438
Denmark	(DKr)	54.12	10	8.788	2.624	1.044	2587	2.957	10.84	269.7	222.7	11.37	2.170	0.847	2.010	1.419	188.9	1.318
France	(FFr)	61.58	11.38	10	2.986	1.187	2943	3.364	12.34	305.8	253.4	12.94	2.470	0.963	2.288	1.614	215.0	1.500
Germany	(DM)	20.63	3.811	3.349	1	0.398	985.6	1.127	4.133	102.4	84.87	4.333	0.827	0.323	0.766	0.541	72.01	0.502
Ireland	(I£)	51.86	9.583	8.422	2.514	1	2479	2.833	10.39	257.5	213.4	10.89	2.080	0.811	1.927	1.359	181.1	1.263
Italy	(L)	2.092	0.387	0.340	0.101	0.040	100	0.114	0.419	10.39	8.609	0.440	0.084	0.033	0.078	0.055	7.304	0.051
Netherlands	(Fl)	18.30	3.382	2.972	0.887	0.353	874.9	1	3.666	90.88	75.32	3.845	0.734	0.286	0.680	0.480	63.91	0.446
Norway	(NKr)	49.90	9.221	8.104	2.419	0.962	2385	2.726	10	247.8	205.3	10.48	2.001	0.781	1.854	1.308	174.2	1.215
Portugal	(Es)	20.14	3.722	3.271	0.976	0.388	962.7	1.100	4.036	100	82.87	4.231	0.808	0.315	0.748	0.528	70.32	0.491
Spain	(Pta)	24.30	4.491	3.947	1.178	0.469	1162	1.328	4.870	120.7	100	5.105	0.975	0.380	0.903	0.637	84.85	0.592
Sweden	(SKr)	47.60	8.795	7.730	2.308	0.918	2275	2.601	9.539	236.4	195.9	10	1.909	0.745	1.768	1.248	166.2	1.159
Switzerland	(SFr)	24.93	4.607	4.049	1.209	0.481	1192	1.362	4.996	123.8	102.6	5.238	1	0.390	0.926	0.654	87.05	0.607
UK	(£)	63.92	11.81	10.38	3.099	1.233	3055	3.492	12.81	317.4	263.0	13.43	2.564	1	2.375	1.676	223.2	1.557
Canada	(C$)	26.92	4.974	4.371	1.305	0.519	1287	1.471	5.394	133.7	110.8	5.655	1.080	0.421	1	0.706	93.98	0.656
USA	($)	38.15	7.050	6.196	1.850	0.736	1824	2.084	7.645	189.4	157.0	8.015	1.530	0.597	1.417	1	133.2	0.930
Japan	(Y)	28.64	5.293	4.651	1.389	0.552	1369	1.565	5.739	142.2	117.9	6.017	1.149	0.448	1.064	0.751	100	0.698
Ecu	–	41.06	7.567	6.698	1.991	0.792	1963	2.243	8.228	203.8	168.9	8.625	1.647	0.642	1.525	1.076	143.3	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.5431	0.5425	–0.0009	0.5440	0.5416	[illegible]	91,924
Sep	–	0.5450	–0.0011	–	0.5450	225	2,423
Dec	–	0.5480	+0.0009	–	–	4	27

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.6618	0.6575	–0.0044	0.6627	0.6566	16,895	72,755
Sep	0.6657	0.6644	–0.0025	0.6657	0.6640	13	1,284
Dec	–	0.6714	–0.0036	–	0.6714	4	18

■ JAPANESE YEN FUTURES (IMM) Yen 12.5m per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	0.7584	0.7571	–0.0016	0.7615	0.7548	32,036	95,533
Sep	0.7685	0.7673	–0.0012	0.7705	0.7671	584	1,430
Dec	0.7780	0.7780	–0.0004	0.7780	0.7779	70	203

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	1.6850	1.6684	+0.0008	1.6720	1.6606	10,503	42,513
Sep	–	1.6610	+0.0022	1.6620	1.6580	117	617
Dec	–	1.6550	+0.0030	1.6550	–	1	36

UK INTEREST RATES

LONDON MONEY RATES

Apr 1	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	7⅛ - 6	7¼ - 7⅛	7½ - 7⅜	7¾ - 7½	7¾ - 7½	7¾ - 7½
Sterling CDs	-	-	7⅜ - 7¼	7⅝ - 7½	7⅝ - 7½	7⅝ - 7½
Treasury Bills	-	-	7¼ - 7⅛	7⅛ - 7	-	-
Bank Bills	-	-	7⅜ - 7¼	7⅜ - 7¼	7⅜ - 7¼	-
Local authority deps.	7⅛ - 7	7¼ - 7	7⅜ - 7¼	7½ - 7⅜	7⅝ - 7½	7¾ - 7⅝
Discount Market deps	7¼ - 7	7¼ - 7⅛	-	-	-	-

UK clearing bank base lending rate 7¼ per cent from Nov 6, 1997

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	5¾	5½	5	5	4½

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1½pc. Ave. tender rate of discount on Mar 20, 6.9178pc. ECGD fixed rate Stg. Export Finance. Make up day Mar 31, 1998. Agreed rate for period Apr 25, 1998 to May 25, 1998, Scheme III 8.78pc. Reference rate for period Feb 28, 1998 to Mar 31, 1998, Schemes IV & V 7.564pc. Finance House Base Rate 8pc from Apr 1, 1998.

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	92.51	92.49	–0.02	92.51	92.48	15069	150630
Sep	92.62	92.60	–0.02	92.62	92.58	13806	110460
Dec	92.76	92.74	–0.02	92.78	92.72	15482	145841
Mar	92.94	92.93	–0.01	92.96	92.91	7829	82438
Jun	93.11	93.11	-	93.13	93.09	5574	84705

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9225	0.76	0.41	0.57	0.02	0.06	0.08
9250	0.08	0.22	0.36	0.09	0.12	0.14
9275	0.01	0.10	0.23	0.27	0.25	0.24

Est. vol. total, Calls 1350 Puts 700. Previous day's open int., Calls 264405 Puts 215289

EMS EUROPEAN CURRENCY UNIT RATES

Apr 1	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Greece	357.000	346.350	+2.403	–2.98	3.90	20
Ireland	0.796244	0.790155	+0.000125	–0.76	1.19	5
Italy	1957.61	1957.30	–0.74	–0.02	0.43	0
Spain	168.220	168.512	–0.104	0.17	0.24	–1
France	6.63186	6.65173	–0.00389	0.30	0.12	–2
Finland	6.01125	6.02971	[illegible]	0.31	0.11	–2
Denmark	7.54257	7.56705	–0.00386	0.32	0.09	–2
Portugal	202.692	203.369	–0.104	0.33	0.08	–2
Austria	13.9119	13.9686	–0.0067	0.41	0.01	–3
Germany	1.97738	1.98540	–0.00101	0.41	0.01	–4
Belgium	40.7844	40.9529	–0.0225	0.41	0.00	–3
Netherlands	2.22799	2.23728	–0.00182	0.42	0.00	–3
NON ERM MEMBERS						
UK	0.653644	0.641284	+0.002071	–1.89	2.35	–

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling suspended from ERM. (16/3/98) Drachma joined ERM & Punt revalued by 3%. Other central rates adjusted. Adjustments calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
1.660	1.05	1.93	2.51	0.55	1.75	2.45
1.670	0.56	1.51	2.07	1.05	2.28	2.95
1.680	0.26	1.13	1.62	1.75	2.83	–

Previous day's vol., Calls 239 Puts 1,208. Prev. day's open int., Calls 13,708 Puts 18,077

■ PHILADELPHIA SE D-MARK/$ OPTIONS DM62,500 ($ per DM)

Strike Price	CALLS Apr	CALLS May	CALLS Jun	PUTS Apr	PUTS May	PUTS Jun
0.540	0.38	0.79	1.03	0.24	0.55	0.72
0.545	0.16	0.54	0.78	0.52	0.81	1.00
0.550	0.05	0.37	0.57	0.91	1.11	1.27

Previous day's vol., Calls 848 Puts 1,043. Prev. day's open int., Calls 8,806 Puts 17,216

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	94.30	94.30	–	94.31	94.30	61,411	478,312
Sep	94.26	94.25	+0.01	94.27	94.25	95,682	396,552
Dec	94.14	94.14	+0.01	94.15	94.13	71,585	318,987

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Jun	95.09	95.10	+0.02	95.11	95.09	91	4,716
Sep	–	95.05	–	–	–	3	506
Dec	–	95.05	–	–	–	2	4

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Apr	CALLS May	CALLS Jun	CALLS Sep	PUTS Apr	PUTS May	PUTS Jun	PUTS Sep
9625	0.045	0.055	0.080	0.080	0.040	0.050	0.075	0.210
9650	0.010	0.010	0.010	0.030	0.255	0.255	0.255	0.410
9675	0	0	0	0	0.495	0.495	0.495	0.650
9700	0	0	0	0	0.745	0.745	0.745	0.800

Est. vol. total, Calls 10335 Puts 17282. Previous day's open int., Calls 208592 Puts 372570

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Jun	CALLS Sep	CALLS Dec	PUTS Jun	PUTS Sep	PUTS Dec
9850	0.07	0.08	0.09	0.22	0.39	0.59
9875	0.02	0.03	0.03	0.42	0.59	0.79

Est. vol. total, Calls 2861 Puts 153. Previous day's open int., Calls 23420 Puts 7625

BASE LENDING RATES

	%
Adam & Company	7.25
Allied Irish Bank (GB)	7.25
●Henry Ansbacher	7.25
Banco Bilbao Vizcaya	7.25
Bank of Cyprus	7.25
Bank of Ireland	7.25
Bank of India	7.25
Bank of Scotland	7.25
Barclays Bank	7.25
Brit Bk of Mid East	7.25
●Brown Shipley & Co Ltd	7.25
Citibank NA	7.25
Clydesdale Bank	7.25
The Co-operative Bank	7.25
Coutts & Co	7.25
Cyprus Popular Bank	7.25
Duncan Lawrie	7.25
Exeter Trust Limited	8.25
Financial & Gen Bank	8.00
●Robert Fleming & Co	7.25
●Guinness Mahon	7.25
Habib Bank AG Zurich	7.25
●Hambros Bank	7.25
Heritable & Gen Inv Bk	7.25
C. Hoare & Co	7.25
Hongkong & Shanghai	7.25
Investec Bank (UK) Ltd	7.25
Julian Hodge Bank	7.25
●Leopold Joseph & Sons	7.25
Lloyds Bank	7.25
Midland Bank	7.25
NatWestminster	7.25
●Rea Brothers	7.25
Royal Bk of Scotland	7.25
Scottish Widows Bank	7.25
●Singer & Friedlander	7.25
●Smith & Williamson	7.25
Sun Banking Corp Ltd	7.25
TSB	7.25
United Bank of Kuwait	7.25
Unity Trust Bank Plc	7.25
Whiteaway Laidlaw	7.25
Yorkshire Bank	7.25

● Members of London Investment Banking Association
* In administration

COMMODITIES & AGRICULTURE

Venezuela offers reassurance over oil output cuts

MARKETS REPORT

By Gary Mead and Kenneth Gooding

"We were lying to each other and everybody knew we were lying ... that's over," said Erwin Arrieta, Venezuela's energy minister in London yesterday, in an effort to persuade doubters that the new crude oil global output cuts, amounting to 1.5m barrels a day, will stick.

Mr Arrieta was referring to the pre-Vienna agreement, when Venezuela – a leading member of the Organisation of Petroleum Exporting Countries – was the biggest Opec quota-buster.

Some steadiness returned to the oil markets, although traders probed for signs that the production restraint agreement is taking hold.

Dealers shrugged off data from the American Petroleum Institute, showing inventories of US crude oil up 2.2m barrels in the past week.

On London's International Petroleum Exchange, Brent crude for May slipped 2 cents in late trading, to $14.24 a barrel, having reached $14.42.

Analysts said if prices could be maintained for a few days, some traders might be forced to cover short positions, driving prices higher and neutralising doubts that the cut would not be enough to rebalance the market.

A burst of selling by US funds on the London Metal Exchange caused a sharp fall in aluminium's price and this had a knock-on effect, dragging down copper, nickel and zinc.

Aluminium for delivery in three months closed down nearly 2.5 per cent, or $35 a tonne, at $1,415.

Copper ended the day down 2.3 per cent, or $41 a tonne, at $1,731. Dealers suggested that, while aluminium might have a little further to fall – perhaps to $1,400 a tonne – copper's drop was overdone.

Nickel ended $15 a tonne lower at $5,540. Zinc fell by $5 a tonne to close at $1,095.

On the London International Financial Futures Exchange, the May cocoa contract lost £12 to close at £1,057 a tonne, with further indications of a large Ivory Coast main crop and the strength of sterling seen as damping expectations.

Coffee failed to sustain Tuesday's rally, with sellers taking advantage of higher prices. The May contract closed at $1,817, down $24.

Darjeeling growers want tea priced in dollars

By Kunal Bose in Calcutta

Tea growers in Darjeeling are pressing for the prices of their produce to be quoted in dollars instead of rupees at the Calcutta auction.

The growers, who have the support of the Indian Tea Board, believe the change would lift their earnings. Most of the 88 tea plantations in the Darjeeling region are losing money because of high production costs and low output.

P. K. Sen, chairman of J. Thomas, the world's largest tea broking house, said: "Because of the depreciation in the value of the Indian currency, the price of Darjeeling tea in dollar terms has remained unchanged in the last 20 years."

He said a move to dollar-denominated bidding at the Calcutta auction would increase prices.

"There is a strong case for moving over to a dollar-denominated auction for the world's most prized tea," Mr Sen said. "Mombasa and Jakarta have a dollar denominated tea auction."

Buyers of Darjeeling tea at the Calcutta auction will have an incentive to give quotes in dollars, provided federal and state governments assure them that duties on domestic sales – currently paid at the point of auction – become payable only when they have actually sold tea in the Indian market. Tea exports are not subject to domestic duties.

The buyers have also recommended futures trading in Darjeeling tea.

J. Thomas said Darjeeling tea would fetch "a better price" provided the entire production was routed through the Calcutta auction and the producers stopped making direct domestic and export sales.

Corsican honey wins French quality mark

By David Owen in Paris

The beekeepers of Corsica have reason to celebrate: Corsican honey has been added to the list of products accorded France's prestigious appellation d'origine contrôlée quality mark.

"We are very happy," said Joseph Albertini, a producer from Lozzi, near the centre of the mountainous Mediterranean island, yesterday. "We have been trying to obtain it for six or seven years."

Mr Albertini, who usually maintains between 350 and 350 hives, hopes the award will enable Corsican producers to increase the value of their output by distinguishing it from commodity products.

"It would be good to get between 10 and 20 per cent more," he said. He acknowledged, however, that this would not be easy, given that Corsican honey – at FFr50–FFr80 ($8–$13) per kg – was already priced towards the top end of the market.

The world-renowned quality mark is usually associated with fine wine and cheese but has now been bestowed on 18 other food and agricultural products, ranging from grapes and olive oil to poultry.

These items are cultivated in all corners of France, from Brittany in the west to the Camargue in the south. Other products to have received the mark recently include haricot beans from Paimpol and potatoes from the Ile de Ré.

Among the products carrying the mark is at least one not normally eaten by humans: namely, hay from Crau in southern France. The list also includes another type of honey – fir honey from the Vosges in the east of the country.

According to Mr Albertini, honey is harvested on Corsica – much of which is impressively wild and covered with thick vegetation – virtually throughout the year. "It is a permanent garden," he said.

The Corsican bee, he added, was dark in colour and similar to those found in Provence. Large tracts of the island are also covered with sweet chestnut trees.

The decree recognising the award stipulates that the honey must be exclusively harvested and decanted in Corsica.

It must derive from nectar collected by the apis mellifera mellifera bee from vegetation growing naturally on the island. Filtration and decantation are obligatory.

Foundation underpins Ethiopian smallholders

Sasakawa-Global 2000 teaches farmers new techniques to help boost productivity, writes, Michela Wrong

In Addis Ababa it is easy to distinguish holidaying Ethiopian emigres from the locals. Their expensive western clothes and watches are not the only give-aways. The visitors often tower over the diminutive locals, their extra inches a testimony to a lifetime of proper nutrition.

Hunger, the result of unreliable rainfall, primitive farming methods and over-exploited soils, has haunted Ethiopia for centuries, leaving scars both psychological and physical.

In a country of 58m people, half consume less than 75 per cent of the calories considered normal. Two-thirds of children are stunted, the highest rate in the world. With monotonous regularity, the government relies on foreign generosity to import hundreds of thousands of tonnes of grain and prevent a repeat of the 1984 famine that shocked the world.

It was with this in mind that Sasakawa-Global 2000 set up operations. A joint venture between a Japan's Nippon Foundation and Global 2000, former US president Jimmy Carter's initiative, its mandate was to increase productivity of smallholders by communicating new research and technology to them.

The foundation's premise was that given appropriate fertilisers, disease-resistant seeds, pest control and better weeding and husbandry techniques, harvests of

The Sasakawa project includes 583,000 farmers and should be extended to 2m-3m this year — Panos

maize, wheat, barley, sorghum and teff could be doubled or even tripled.

Ethiopia's previous Marxist regime might have regarded such a programme as an infringement of sovereignty. But when Sasakawa started showing its technique on demonstration plots in 1993, the Ethiopian Peoples' Revolutionary Democratic Front (EPRDF) had seized control.

Meles Zenawi, then president and current prime minister, initially treated ideas he knew could end up affecting the livelihoods of 6m farmers with caution.

"We managed to lure him to see one of our demonstrations and the difference between our project and Ethiopian farmers working on their own was night and day," says Marco Quinones, Sasakawa regional director.

"He was extremely impressed, but he ordered his men to inspect 150 other villages where we were operating to check it was not a fluke. The report that came back was very positive."

Once embraced, the government's eagerness for the project outstretched Sasakawa capacity. The foundation devised a programme to train 6,000 farmers, the government asked for hundreds of thousands to be included. The compromise reached was for 36,000.

Centring on more fertile areas where new techniques can make the biggest impact, the project now includes 583,000 farmers and should be extended to 2m-3m this year. The problem, says Mr Quinones, is not improving harvests but ensuring changes are sustained.

Part of that involves ensuring farmers are committed to the new techniques. "Nothing is provided for free," says Mr Quinones. "In the first year, farmers pay for inputs on credit and in the second year they must find the income from their own reserves." Should farmers threaten to default on those loans, Sasakawa is ready to pull out of a village.

Until the El Niño weather phenomenon devastated Ethiopia, agricultural production was rising steadily. Food output had risen from 6m tonnes in 1991-92 to 11.7m tonnes in 1996-97. Last year was a turning point, as Ethiopia for the first time exported food to poorer neighbours.

"Despite El Niño, the overall trend remains upwards," says Mr Quinones. "If this year we don't have a repetition of rains during harvesting, then we will have another surplus year."

A criticism that could be levelled at the programme is that while it tackles an important problem – low yields – it sidesteps a more fundamental issue; a state-owned land tenure system that discourages agricultural modernisation.

The government has refused to grant private ownership on the grounds that farmers would sell in times of drought and drift to the cities, already burdened with jobless poor. But experts say as long as the system exists, consolidation of Ethiopia's tiny plots into high-producing commercial farms is largely ruled out.

Mr Quinones acknowledges the problem. "In the long term, unless you can consolidate holdings, agriculture cannot be a viable enterprise. At the moment it's a very sensitive political issue, but eventually this law has to be re-examined."

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE
(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1393.5-4.5	1421-2
Previous	1427-28	1452-53.5
High/low		1449/1415
AM Official	1417-18	1445-46
Kerb close		1414-5
Open int.	249,893	
Total daily turnover	95,542	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1258-63	1285-90
Previous	1273-78	1300-05
High/low		1302/1293
AM Official	1270-73	1295-300
Kerb close		1288-90
Open int.	5,367	
Total daily turnover	1,282	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	575-6	574-5
Previous	573-74	574-75
High/low		578/568
AM Official	574-74.5	574-75
Kerb close		575-6
Open int.	36,338	
Total daily turnover	9,385	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	5445-55	5540-45
Previous	5600-10	5590-600
High/low		5590/5520
AM Official	5480-85	5585-90
Kerb close		5530-35
Open int.	52,532	
Total daily turnover	14,653	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5660-70	5630-40
Previous	5650-60	5630-35
High/low		5650/5625
AM Official	5660-70	5630-35
Kerb close		5640-45
Open int.	18,908	
Total daily turnover	6,814	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1068-9	1091-2
Previous	1079.5-80.5	1102-02.5
High/low		1105/1085
AM Official	1075-75.5	1097-98
Kerb close		1094-5
Open int.	79,601	
Total daily turnover	25,873	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	1705-6	1732-3
Previous	1751.5-52.5	1778-79
High/low		1775/1728
AM Official	1748.5-49	1774-75
Kerb close		1730-31
Open int.	160,597	
Total daily turnover	69,312	

■ LME AM Official £/$ rate: 1.6752
LME Closing £/$ rate: 1.6745

Spot: 1.6797 3 mths: 1.6804 6 mths: 1.6830 9 mths: 1.6840

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	77.10	-2.20	78.40	77.00	398	2,552
May	77.45	-2.40	80.10	77.40	5,698	26,414
Jun	77.80	-2.30	78.60	77.80	162	2,400
Jul	78.35	-2.15	80.65	78.20	768	11,487
Aug	80.90	-	-	80.90	1	1,562
Sep	79.20	-1.85	81.00	79.20	205	5,060
Total						

PRECIOUS METALS

■ LONDON BULLION MARKET
(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	300.90-301.40		
Opening	301.10-301.40		
Morning fix	301.60	180.275	461.146
Afternoon fix	301.00	179.852	461.192
Day's High	301.50-302.00		
Day's Low	300.40-300.70		
Previous close	301.10-301.60		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.14	6 months	3.89
2 months	4.06	12 months	3.72
3 months	3.99		

Silver Fix	p/troy oz.	US cts equiv.
Spot	385.85	646.50
3 months	385.20	642.40
6 months	387.40	643.20
1 year	384.05	633.30

Gold Coins	$ price	£ equiv.
Krugerrand	300-303	179-181
Maple Leaf	-	-
New Sovereign	70-74	42-44

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	299.7	-0.8	301.7	299.6	2,893	2,463
Jun	302.3	-1.0	304.5	301.5	20,119	78,498
Aug	304.0	-1.4	306.2	303.6	269	7,630
Oct	307.2	-	307.6	307.2	137	4,516
Dec	309.0	-1.4	310.2	308.0	118	16,127
Feb	-	-	-	-	30	8,024
Total					24,409	161,065

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	411.5	+3.0	412.0	407.0	1,384	2,686
Jul	408.0	+2.0	408.5	404.0	2,329	10,135
Oct	403.0	+2.0	403.5	400.5	38	439
Jan	400.5	+2.0	400.5	400.5	1	51
Total					3,763	13,671

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	260.90	+2.70	263.50	259.00	433	4,670
Sep	254.50	-	-	-	7	746
Total					441	5,390

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
May	638.5	-8.2	647.0	629.0	12,985	43,954
Jul	637.6	-9.5	648.5	630.0	2,169	16,375
Sep	635.0	-10.2	644.0	634.0	5	5,215
Dec	628.0	-15.9	643.0	627.0	121	10,692
Jan	625.5	-	-	-	-	13
Mar	629.5	-	629.5	629.5	52	2,360
Total					15,432	85,985

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	15.60	-0.31	15.78	15.36	68,516	105.6k
Jun	15.94	-	16.07	15.54	26,025	79,311
Jul	16.21	-0.01	16.34	16.00	8,618	42,048
Aug	16.40	-0.06	16.56	16.27	2,350	23,744
Sep	16.59	-0.07	16.73	16.58	1,882	22,694
Oct	16.75	-0.06	16.87	16.73	588	15,964
Total					118,629	460,531

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
May	14.18	-0.08	14.42	14.00	15,176	63,054
Jun	14.46	-0.12	14.71	14.33	7,496	55,293
Jul	14.78	-0.16	14.98	14.64	1,838	19,482
Aug	15.04	-0.10	15.19	14.94	741	13,678
Sep	15.40	+0.05	15.41	15.34	308	11,606
Oct	15.46	-0.10	15.69	15.54	695	9,094
Total					n/a	n/a

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	43.50	+0.08	43.80	43.05	22,667	45,840
Jun	44.15	+0.09	44.30	43.75	4,318	22,688
Jul	45.00	+0.09	45.20	44.70	1,303	17,454
Aug	45.90	+0.09	46.25	45.75	482	12,668
Sep	46.95	+0.09	47.30	46.85	454	11,096
Oct	48.05	-	48.40	48.05	375	6,784
Total					31,298	175,692

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	131.25	-1.50	132.50	130.25	5,430	24,390
May	133.75	-1.50	134.75	132.25	5,776	22,432
Jun	136.00	-1.50	137.00	134.75	704	19,116
Jul	139.00	-1.50	140.00	138.50	289	9,613
Aug	142.00	-1.25	143.00	141.75	93	8,832
Sep	145.05	-1.00	145.75	145.75	8	9,547
Total					16,000	145,158

■ NATURAL GAS IPE (1,000 therms; pence per therm)

May	8.460	-0.050	8.470	8.460	35	1,880
Jun	8.510	-0.110	8.550	8.510	60	1,915
Total					1,219	16,845

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
May	2.491	-0.031	2.560	2.480	42,778	43,581
Jun	2.530	-0.027	2.590	2.520	15,833	19,085
Jul	2.556	-0.018	2.610	2.540	6,891	16,031
Aug	2.565	-0.018	2.615	2.530	4,583	14,918
Sep	2.585	+0.005	2.610	2.555	2,849	11,385
Oct	2.580	+0.030	2.630	2.575	2,716	11,666
Total					89,188	221,082

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
May	51.35	-0.33	51.90	50.65	24,196	45,193
Jun	52.15	-0.23	52.50	51.60	7,236	18,549
Jul	52.70	-0.05	52.85	52.05	1,685	12,811
Aug	52.70	-0.03	52.90	52.30	1,257	7,042
Sep	52.10	-0.23	52.60	52.10	1,043	8,425
Oct	50.80	-1.46	51.10	50.90	420	3,527
Total					54,088	102,345

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (100 tonnes; £ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	72.50	+0.25	72.75	72.50	98	2,141
Jul	74.75	+0.60	74.75	74.60	167	1,377
Sep	74.40	-	-	-	-	134
Nov	77.10	+0.10	77.25	77.00	67	2,978
Jan	79.00	-	79.00	79.00	13	503
Total					n/a	n/a

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

May	316.25	-4.00	321.00	315.50	6,030	41,251
Jul	325.50	-4.00	331.75	324.50	18,109	43,175
Sep	334.00	-3.75	338.00	333.00	1,130	8,374
Dec	346.25	-4.00	351.00	345.00	2,202	12,059
Mar	354.50	-4.00	359.00	354.50	24	1,152
Jul	358.00	-4.00	358.00	358.00	10	39
Total					29,149	107,879

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

May	258.25	-2.75	259.75	255.75	42,686	120,440
Jul	263.00	-2.75	266.00	262.50	27,713	112,880
Sep	269.00	-2.50	272.50	268.50	3,464	27,260
Dec	272.25	-2.50	275.75	271.00	21,058	97,895
Mar	278.75	-2.75	282.00	278.25	280	7,299
May	286.00	-	286.00	283.75	46	294
Total					105,694	377,765

■ BARLEY LIFFE (100 tonnes; £ per tonne)

May	-	-	-	-	-	229
Sep	-	-	-	-	-	12
Nov	-	-	-	-	-	501
Jan	-	-	-	-	-	94
Mar	-	-	-	-	-	1
Total					n/a	n/a

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

May	644.00	-1.00	647.50	641.50	29,234	64,401
Jul	645.50	-1.50	649.50	643.00	9,505	44,943
Aug	645.00	-2.00	648.00	644.00	1,103	9,623
Sep	629.50	-3.00	631.50	629.00	47	1,692
Nov	622.50	-2.50	626.75	621.00	6,611	30,400
Jan	628.50	-2.50	631.00	628.00	137	1,018
Total					50,249	155,676

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

May	27.34	+0.01	27.50	27.10	14,735	63,340
Jul	27.53	-0.04	27.70	27.34	7,007	53,616
Aug	27.40	-0.05	27.55	27.30	1,932	9,185
Sep	27.20	-	27.20	27.10	389	6,446
Oct	26.65	-0.25	26.85	26.65	710	4,950
Dec	26.53	-0.02	26.65	26.12	3,705	14,283
Total					31,970	165,649

■ SOYABEAN MEAL CBT (100 tons; $/ton)

May	164.4	-0.4	165.3	163.8	9,807	51,103
Jul	166.6	-0.1	167.5	165.8	7,347	38,203
Aug	168.3	-0.1	168.9	167.5	1,289	14,452
Sep	169.3	-0.5	170.3	168.5	562	10,696
Oct	170.0	-0.7	173.5	168.8	421	4,420
Dec	173.0	-0.8	176.0	171.5	2,422	12,422
Total					26,744	131,817

■ POTATOES LIFFE (20 tonnes; £ per tonne)

Apr	52.0	-6.0	54.0	52.0	6	304
May	69.0	+3.0	69.0	68.0	15	404
Jun	-	-	-	-	-	-
Nov	-	-	-	-	-	-
Mar	-	-	-	-	-	-
Total					n/a	n/a

■ FREIGHT (BIFFEX) LIFFE ($10/index point)

Apr	1010	+5	1010	1001	29	608
May	1020	+10	1030	1020	21	270
Jul	945	+10	950	940	13	306
Oct	-	-	-	-	-	131
Jan	-	-	-	-	-	58
Total					n/a	n/a

	Close	Prev
BFI	n/a	973

PULP AND PAPER

■ PULPEX OMLX (US$; 24 air dry tons)

	Sett price	Day's change	High	Low	Vol	Open int
Jun	529.25	-	-	-	-	477
Sep	552.00	+0.25	552.00	552.00	15	226
Total						

FUTURES DATA
All futures data supplied by CMS.

Minor metals from Metal Bulletin
European free market, $ per lb in warehouse (last week's in brackets, where changed). Antimony: 99.65%, $ per tonne, 1,550-1,630 (1,580-1,630). Bismuth: min. 99.99%, tonne lots 4.00-4.15 (3.95-4.15). Cadmium: min. 99.95%, cents a pound, 28.00-35.00. Cobalt: MB free market, min. 99.8%, 24.50-25.00 (26.00-25.70); min. 99.3%, 19.70-20.20 (20.00-20.50). Mercury: min. 99.99%, $ per 76 lb flask, 138-148. Molybdenum: drummed molybdic oxide, 4.45-4.50 (4.40-4.55). Selenium: min 99.5%, 1.70-2.50. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, CIF, 40-52. Vanadium: min. 98%, CIF, 5.95-6.20 (5.75-6.00). Uranium: Nuexco unrestricted exchange value, 9.30.

SOFTS

■ COCOA LIFFE (10 tonnes; £/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
May	1064	-15	1076	1053	1,782	27,213
Jul	1073	-11	1091	1070	2,073	17,616
Sep	1090	-11	1110	1090	331	22,510
Dec	1113	-7	1128	1110	1,680	28,483
Mar	1133	-8	1148	1133	250	37,759
Total					n/a	n/a

■ COCOA CSCE (10 tonnes; $/tonnes)

May	1626	-28	1645	1625	5,186	19,670
Jul	1646	-24	1662	1645	1,936	16,814
Sep	1668	-20	1680	1668	471	8,221
Dec	1695	-24	1708	1695	597	14,366
Mar	1729	-21	1730	1729	32	8,497
May	1761	-	1761	1761	102	4,082
Total					8,894	75,876

■ COCOA (ICCO) (SDR's/tonne)

Mar 31	Price	Prev. day
Daily	1294.97	1280.76

■ COFFEE LIFFE (5 tonnes; $/tonne)

May	1817	-24	1833	1810	2,028	21,418
Jul	1780	-21	1797	1772	1,427	12,048
Sep	1764	-17	1783	1742	315	3,408
Nov	1725	-18	1725	1717	11	1,803
Jan	-	-	-	-	-	112
Mar	-	-	-	-	-	22
Total					n/a	n/a

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

May	144.25	-2.00	148.25	143.25	4,272	15,409
Jul	138.25	-1.75	141.25	137.50	1,580	6,362
Sep	134.00	-0.65	135.75	133.50	239	4,841
Dec	127.50	-	129.50	127.50	128	3,763
Mar	124.40	-1.15	126.50	124.00	66	1,270
May	123.00	-1.05	123.00	122.60	26	571
Total					6,336	32,422

■ COFFEE (ICO) (US cents/pound)

Mar 31		Prev. day
Comp. daily	121.86	121.49
15 day average	119.95	119.77

■ WHITE SUGAR LIFFE (50 tonnes; $/tonne)

May	264.4	-5.5	269.0	264.0	1,728	14,052
Aug	267.4	-4.8	271.6	266.8	650	10,653
Oct	272.1	-4.0	275.3	272.1	276	7,584
Dec	276.8	-	276.8	276.8	182	1,154
Mar	280.2	-2.7	280.2	280.2	69	990
May	283.4	-	283.4	283.4	6	504
Total					n/a	n/a

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

May	10.07	-0.12	10.19	10.02	34,921	58,165
Jul	9.71	-0.04	9.78	9.68	11,208	44,775
Oct	9.93	-0.02	9.97	9.89	3,142	43,450
Mar	10.24	+0.03	10.26	10.19	1,743	18,477
May	10.28	+0.02	10.28	10.28	127	2,467
Jul	10.30	-0.02	10.31	10.30	41	3,455
Total					51,071	173,168

■ COTTON NYCE (50,000lbs; cents/lbs)

May	66.90	-0.33	67.60	66.82	14,941	26,190
Jul	68.40	-0.21	69.10	68.35	6,765	18,194
Oct	70.70	-0.15	71.15	70.55	561	3,436
Dec	71.97	-0.15	72.50	71.95	9,583	27,005
Mar	73.20	-0.06	73.55	73.20	1,355	2,776
May	73.75	-0.15	73.85	73.75	647	1,085
Total					34,790	81,122

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

May	103.55	-0.50	104.00	102.60	2,694	19,805
Jul	106.40	-0.65	106.90	105.50	726	7,739
Sep	109.70	-0.40	109.70	109.00	615	4,129
Nov	111.10	-1.15	111.50	111.10	157	3,477
Jan	113.00	-	113.00	113.00	45	1,348
Mar	-	-	-	-	-	759
Total					4,237	37,857

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ Reuters (Base: 18/9/31 = 100)

Mar 31	Mar 30	month ago	year ago
1670.5	1669.9	1688.3	1996.2

■ CRB Futures (Base: 1967 = 100)

Mar 30	Mar 27	month ago	year ago
228.89	229.14	-	-

■ GSCI Spot (Base: 1970 = 100)

Mar 30	Mar 27	month ago	year ago
168.72	169.05	165.10	192.43

LME WAREHOUSE STOCKS (tonnes)

Aluminium	+1,075	to	545,650
Aluminium alloy	+360	to	48,700
Copper	-675	to	339,350
Lead	-2,300	to	99,200
Nickel	+192	to	64,698
Zinc	+1,425	to	470,525
Tin	-45	to	7,310

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Apr	64.350	+0.600	64.600	63.650	5,588	29,701
Jun	66.550	+0.775	66.700	65.625	6,779	38,089
Aug	67.750	+1.025	67.850	66.650	2,505	15,368
Oct	68.575	+0.375	68.575	67.900	667	10,067
Dec	69.500	+0.050	69.575	69.200	241	3,211
Feb	70.750	-0.175	70.925	70.700	48	1,067
Total					16,211	98,683

■ LEAN HOGS CME (40,000lbs; cents/lbs)

Apr	62.550	-0.975	63.050	62.100	4,598	9,131
Jun	59.300	-0.675	59.700	58.900	4,381	13,208
Jul	58.200	-0.425	58.500	57.800	1,073	5,227
Aug	55.800	-0.500	56.300	55.500	330	3,251
Oct	53.150	-0.525	53.500	53.050	282	3,075
Dec	53.875	-0.400	54.050	53.800	114	2,072
Total					10,886	37,053

■ PORK BELLIES CME (40,000lbs; cents/lbs)

May	52.350	-0.025	53.000	51.550	3,075	5,609
Jul	50.600	-0.350	51.050	49.750	676	2,374
Aug	48.500	+0.250	49.050	47.450	176	970
Sep	46.300	-	46.300	46.100	1	16
Nov	46.000	-	47.300	46.000	7	37
Total					3,928	9,399

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	May	Aug	May	Aug
1350	62	100	11	23
1400	31	67	30	41
1450	13	46	61	66
■ COPPER (Grade A) LME	May	Aug	May	Aug
1600	112	164	13	37
1700	46	98	49	79
1800	15	55	116	139
■ COFFEE LIFFE	Mar	May	Mar	May
n/a				
n/a				
n/a				
■ COCOA LIFFE	May	Jul	May	Jul
n/a				
n/a				
n/a				
■ BRENT CRUDE IPE	May	Jun	May	Jun
1500	10	-	-	-
1550	8	39	-	-
1600	-	25	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$11.98-2.03x	-0.215
Brent Blend (dated)	$13.47-3.49	-0.245
Brent Blend (May)	$14.17-4.19	-0.245
W.T.I.	$15.53-5.54x	-0.24

■ OIL PRODUCTS NWEprompt delivery CIF (tonne)

Premium Gasoline	$159-161	
Gas Oil	$133-134	
Heavy Fuel Oil	$84-86	+1
Naphtha	$136-139	
Jet fuel	$140-142	-1.50
Diesel	$138-139	+0.5

■ NATURAL GAS (Pence/therm)

Bacton (Apr)	8.600-8.700

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

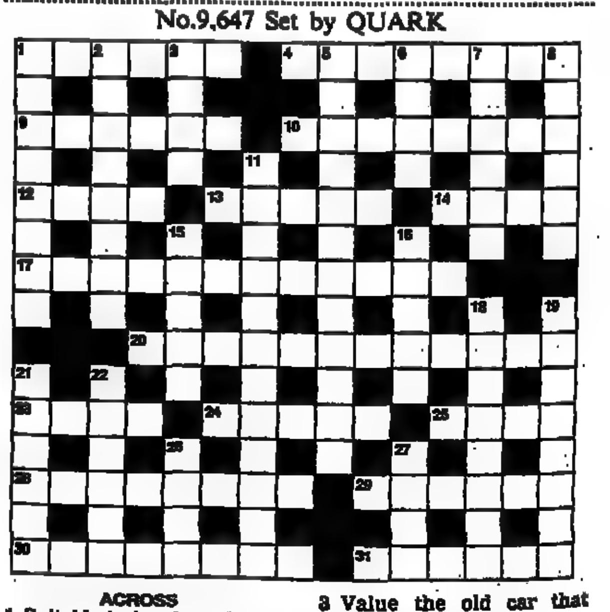
Gold (per troy oz)♣	$301.15	-0.20
Silver (per troy oz)♣	642.50c	+7.00
Platinum (per troy oz.)	$410.00	+3.00
Palladium (per troy oz.)	$270.50	+4.50
Copper	84.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	19.77r	
Tin (New York)	289.5	+4.00
Cattle (live weight)	85.97p	+0.37*
Sheep (live weight)	95.27p	-0.73*
Pigs (live weight)†	69.54p	-5.29*
Lon. day sugar (raw)	$253.40	+6.80
Lon. day sugar (wte)	$270.60	+2.60
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	£109.00	
Wheat (US Dark North)	Unq	
Rubber (Apr)♥	47.75p	+0.25
Rubber (May)♥	47.75p	+0.25
Rubber (KL RSS No1)	270.00m	
Coconut Oil (Phil)§	590.0y	+18.5
Palm Oil (Malay.)§	645.0	
Copra (Phil)§	$377.5y	
Soyabeans (US)	173.0	
Cotton Outlook'A' index	67.50	-0.85
Wooltops (64s Super)	370p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y May/Jun. z May ♥London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on sale head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,647 Set by QUARK



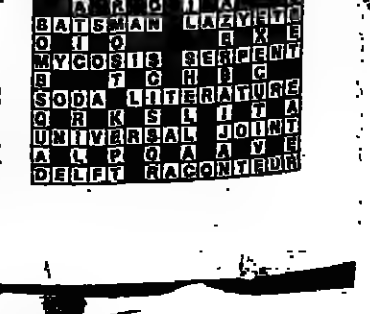
ACROSS

1 Suitable jacket for a dance? (6)
4 A fellow, very good at speaking, becomes wealthy (8)
9 Groups unable to practise cricket apparently (6)
10 A gear rod slip: nasty reaction from drivers (4,4)
12 Some pachyderm not feeling well (4)
13 Personal assistant's employment break (5)
14 Hardy character sets out (4)
17 Eugene with cool ad in broadcast for perfume (3,2,7)
20 Outside help to make things clearer (5,7)
23 An article returned sometimes? Only partly (4)
24 Set task is a way to collect money (5)
25 Band to move very fast (4)
28 Crazy fellow or a supporter? (8)
29 Piano to elate, to glorify (6)
30 It's everlasting without a watch (8)
31 Ship's ropes used by fishermen (6)

DOWN

1 The players got older and covered up wounds (8)
2 Hanker after meeting-place, we hear, in extensive journey (4,4)
3 Value the old car that doesn't start (4)
5 The base's recording some marching (12)
6 Left university party for a game (4)
7 A shiny coat (6)
8 Article is on time for a certain believer (6)
11 Scholarly postman? (3,2,7)
15 Not-so-hot favourite turning up one day (5)
16 Inform on a type of preview (5)
18 Reference mark at skier's turning (8)
19 A wit's troubled before, to a certain extent (2,2,4)
21 Maverick provided lifts in a fog (6)
22 A first-class paper (6)
26 Game reserves (4)
27 Broadcast one uplifting part of opera (4)

Solution 9,646



هكذا من الأصل

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) [illegible] for more details.

OFFSHORE AND OVERSEAS

BERMUDA (FSA RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Asset Management (Bermuda) Ltd

Royal Bk of Canada O/S Fd Mgrs Ltd

BERMUDA (REGULATED)(**)

GUERNSEY (FSA RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (FSA RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (FSA RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (FSA RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (FSA RECOGNISED)

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross

ABN AMRO Funds - Contd.

[illegible]

Aberdeen Fund Mngrs (Luxembourg) Ltd (u)

4 Boulevard Royal L 2449 Luxembourg 00 352 227001

[illegible]

American Phoenix Investment Portfolios (u)

13 rue Goethe, L-1637 Luxembourg

[illegible]

BAII Asset Management Ltd

10 Piccadilly, London W1V 0EE 0171 734 3700

[illegible] $873.22 -3.91 -

Bank Von Ernst & Cie AG

[illegible]

Fleming Group - Contd.

[illegible]

Foreign & Colonial Emerging Markets Ltd (u)

[illegible]

Foreign & Colonial Portfolios Fd Sicav (u)

47 Boulevard Royal, L-2449 Lux 00 352 4640701

[illegible]

Frontrunner I (u)

[illegible]

Mercury Asset Management - Contd.

[illegible]

Morgan Stanley Sicav

[illegible]

LUXEMBOURG (REGULATED)(**)

	Selling Price	Buying Price	+ or -	Yield Gross

ACM Offshore Funds

[illegible]

Credit Suisse Asset Mgmt Funds - Contd.

[illegible]

Merrill Lynch Asset Management

[illegible]

Swiss Bank Corporation

[illegible]

Eagle Star Intl Life

[illegible]

OFFSHORE INSURANCES

[illegible]

هكذا من الاصل

هكذا من الأصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CONSTRUCTION

[illegible]

CONSTRUCTION - Continued

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Continued

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Continued

[illegible]

FOOD PRODUCERS

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HEALTH CARE - Continued

[illegible]

HOUSEHOLD GOODS & TEXT

[illegible]

HOUSEHOLD GOODS & TEXT - Continued

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Continued

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Continued

[illegible]

OTHER INVESTMENT TRUSTS

The following investment trusts are not eligible for inclusion in the FTSE Actuaries Share Indices.

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MEDIA - Continued

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

PAPER, PACKAGING & PRINTING

[illegible]

PHARMACEUTICALS

[illegible]

PHARMACEUTICALS - Continued

[illegible]

PROPERTY

[illegible]

PROPERTY - Continued

	Notes	Price	+ or -	52 week high	52 week low	Volume '000s	Yld Gr's	P/E
Land Lease A$		1395¼	-6¼	1625¼	1027¼	–	2.7	41.2
[illegible]								

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Continued

[illegible]

SUPPORT SERVICES

[illegible]

SUPPORT SERVICES - Continued

[illegible]

TELECOMMUNICATIONS

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Continued

[illegible]

WATER

[illegible]

AIM

[illegible]

AIM - Continued

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

[illegible]

TRADED INDEX SECURITIES

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1485 a year for each security shown, subject to the Editor's discretion

♣ FT Free Annual Reports Service

You can obtain the current annual/interim report of any companies annotated with the ♣. Ring 0181 770 0770 (open 24 hours including weekends) or Fax 0181 770 3822. Reports may also be ordered via the internet at http://www.icbloc.com. All reports will be sent the next working day, subject to availability

FT Company Focus / Focus Plus

Comprehensive 10-18 page report available on this company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data, plus recent Stock Exchange announcements.
Company Focus (FT news) £8.45.
Focus Plus (FT and Investors Chronicle news) £10.95.
To order, call 0121 200 4678.
Reports published by ShareFinder.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details. Calls are charged at 50p per minute at all times.

An international service is available for callers outside the UK, annual subscription £250 stg. Please consult your financial adviser and verify financial pricing information obtained via FT Cityline before making any investment decision.

All access to and use of FT Cityline is subject to FT Cityline terms and conditions - your copy will be sent free on request. Call 0171 873 4378 for more information on FT Cityline.

The share prices printed on these pages are also available on the internet at http://www.FT.com.

LONDON STOCK EXCHANGE

FTSE 100 closes above 6,000 for the first time

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The first trading session of the second quarter saw London's equity market launch a barrage of determined assaults on the 6,000 level. The FTSE 100 eventually broke the barrier in the early afternoon and closed above 6,000 for the first time.

The FTSE 100 ended 85.4 ahead at a record closing level of 6,017.6, having reached as high as 6,030.7.

Other FTSE indices, which have tended to outpace the 100 over recent weeks, took a back seat yesterday. The FTSE 250 moved sedately ahead to close 9.4 up at 5,534.8, only 9.6 below its closing record, after a session high of 5,537.6. The FTSE SmallCap finished at a day's high of 2,634.7, up 5.2 and only 3.2 away from its previous closing high.

However, the FTSE All-Share index gained 31.6 to a record closing high of 2,813.33.

A steady stream of new money, much of it representing cash flowing in from personal equity plans as the tax year draws to a close, was the driving force behind the latest surge.

But dealers also attributed the gains to more end-year FTSE 100 upgrades by broking houses.

HSBC was the latest of the leading investment houses to lift its end-year target, raising it to 6,200 from 5,500, hard on the heels of CSFB's move to 6,600 from 6,000 on Monday. HSBC's strategy team ascribed the shift in its forecast to "an aggressive reduction in inflation forecasts around the world; these have dictated lower bond yields which are the key to performance".

The market's excellent start to the second quarter was also helped by overnight news that the US Federal Reserve's open market committee had left US interest rates on hold.

However, the Dow Jones Industrial Average gave up much of an earlier 100-points plus gain to finish only 17 points up Tuesday. It was volatile in early trading yesterday after the US purchasing managers' index was stronger than expected.

The Dow's disappointing response to the FOMC news and some weary-looking performances from Asian markets, especially Hong Kong and Tokyo, both of which fell about 1.5 per cent, provoked a rather twitchy opening by London. The FTSE 100 dropped over 25 points during the first hour of trading, threatening to slip back below the 5,900 level.

That early weakness was also a reflection of the continuing unease among fund managers at the relentless strength of sterling.

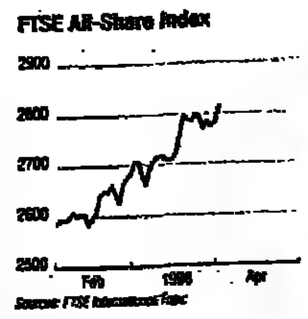
The Bank of England's trade-weighted index crept back over the 109 level at one point yesterday, before finishing just below that point.

The UK purchasing managers' index for March had mixed implications for interest rates; while the manufacturing sector recovered a little, export orders and price intentions stayed weak.

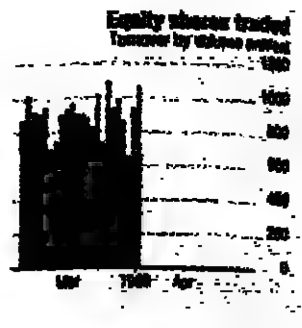
One of the features of the day's trading was the significant increase in turnover, which dealers attributed to the rush of second-quarter cash plus sector rotation business.

At the 6pm cut-off point turnover was a hefty 1.1bn shares, with FTSE 100 stocks attracting 62 per cent of overall market volume.

FTSE All-Share Index



Equity shares traded



Indices and ratios

FTSE 100	6017.6	+85.4	FT 30	3816.4	+66.3
FTSE 250	5534.8	+9.4	FTSE Non-Fins p/e	22.61	22.38
FTSE 350	2886.5	+34.2	FTSE 100 Fut Mar	6110.0	+143.0
FTSE All-Share	2813.33	+31.67	10 yr Gilt yield	5.98	5.66
FTSE All-Share yield	2.77	2.80	Long gilt/equity yld ratio	2.15	2.13

Best performing sectors

1. Alcoholic Beverages ... +4.3
2. Pharmaceuticals ... +2.9
3. Insurance ... +2.8
4. Chemicals ... +2.4
5. Consumer Goods ... +2.3

Worst performing sectors

1. Electronic & Elect ... -1.5
2. Building Matls ... -1.1
3. Oil Exploration ... -1.0
4. Tobacco ... -1.0
5. Construction ... -0.5

Orange relief at SBC

COMPANIES REPORT

By Peter John and Martin Brice

A sharp recovery in **Orange** ahead of the company's trading update today was seen as providing relief to hard-pressed traders at SBC Warburg Dillon Read.

The broker was left holding 52.5m shares – a near 4.4 per cent stake – after Warburg bought 193m shares for £763.8m last Wednesday night from British Aerospace, the aerospace group, which is selling non-core assets.

The deal was struck at 395¾p, a discount to Orange's Wednesday closing price of 418½p. However, as Warburg started selling, the underlying price was hit by overall market weakness and slipped below the commercial cut-off point.

Yesterday, however, the latest subscriber numbers from One-2-One and Vodafone came in well above consensus forecasts leading to hopes that Orange will be equally positive today.

And while there were some niggles that the boost might reflect an increase in the less lucrative pre-paid market, the upshot was that Orange topped the Footsie with a rise of 25½ to 406p.

The turnover of only 3.3m shares suggested Warburg was still holding the stock, but dealers said it was likely the holding had been hedged in the derivatives market at the time the original deal was struck.

Meanwhile, **Vodafone** added 3½ at 628¼p but **Cable & Wireless**, which owns One-2-One, was flat at 747p, restrained by weakness in the Hang Seng index. BT rose 21 to 671p.

Positive comment from Deutsche Morgan Grenfell on **J Sainsbury**, coupled with a lengthy research report, helped the shares achieve one of the better performances in the Footsie, as they gained 16¾ to 530p.

The broker focused on the retailer's US operations, where Sainsbury is expected to make substantial investment during the next three years. Sainsbury is expected to achieve returns on capital of at least 10 per cent in the US.

DMG said it also expected an improvement in returns in the UK market, and retained its price target of 700p for the shares.

Abbey National regained 41 to £11.98 as CSFB highlighted its enthusiasm for the stock in a morning meeting comment on the sector.

Sedgwick, the insurance broker which has been the focus of US value-fund buying, was heavily traded and recorded a rise of 8¼ to 168p on closing volume of almost 2m.

The latest report and accounts shows that Oakmark, the US fund run by David Herro, has built up a 6.6 per cent stake in the broker while Silchester, another US fund has bought 5 per cent.

Fund managers **M&G** and **Perpetual** received support from CSFB, which has published buy recommendations on both stocks and raised earnings estimates for the companies. The broker says Perpetual had "maintained its position a market leader through consistently good investment performance".

CSFB believes M&G, which has been criticised for lagging in the performance league, had achieved "much improved investment performance" since restructuring its investment department. Perpetual rose 30 to £38.25 but M&G eased 2½ to £17.52½p.

Chiroscience, the biotech company which has announced a tie-up with Zeneca, added 25 at 348½p with the additional help of a Dresdner Kleinwort Benson buy recommendation. Zeneca lifted 58 to £26.32.

Chemicals group **Albright & Wilson** rose 5 to 178½p as analysts returned from a visit to the group's Mexican operations.

The visit coincided with a sharp rise in the price of phosphates, which make up a large proportion of Albright's business. A recent article in the trade press points to the first rise in the chemical, which Albright converts to detergents and flame retardants, for more than two and a half years.

ICI in favour

ICI raced higher in late trading and settled 60 up at £11.25, one of the best blue-chip performances. It appeared that analysts returning from the Albright & Wilson trip had a chance to go over ICI's recent acquisitions and liked what what they say.

Watmoughs, the printing group facing bids from Quebecor of Canada and Investcorp, the Bahrain-based group, dipped 1¼ to 332p.

There were some hints that the higher Investcorp approach could face regulatory problems. But dealers said the chief executive of Quebecor was busily meeting people in London yesterday. One suggested the rumours might emanate from the Quebecor camp.

The recent trend of strong results from housebuilders continued with **Alfred McAlpine** rising 5 to 176p after pre-tax profits more than doubled. The company's results emphasised the strength of UK housebuilding, where margins had increased, while in contrast the US operations faced tougher competition.

Elsewhere in construction-related stocks, **Blue Circle** regained some of the ground lost following downgrades prompted by its results on Monday. The shares rose 3 to 369p.

The reaction of **Argos** shares suggested GUS will have to increase the price it is prepared to pay for the catalogue retailer in order to succeed in its bid.

Argos was up 21½ to 645p in the face of a renewed attack from GUS, which yesterday got clearance for its 570p a share bid.

GUS shares rose 23¼ to 765p. The Argos defence document is due out tomorrow as traders are increasingly saying GUS may have to increase its bid to 675p or possibility 700p. The defence is expected to include a £400m share buy-back.

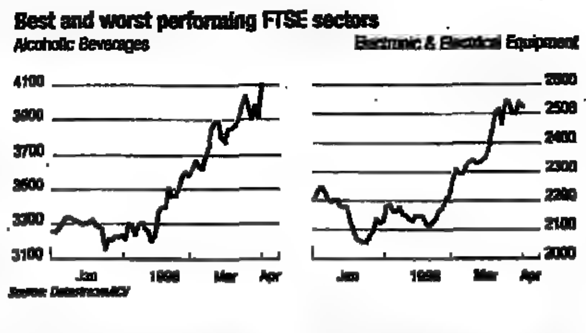
Stocks in companies exposed to the strength of sterling suffered as the pound made further advances during the day.

Foremost among those was **GEC**, one of the worst performers in the FTSE 100 as the shares dropped 11 to 462p. **British Steel**, the most geared play to the strength of sterling, was off 1¼ at 140¾p, while among engineering-related shares, **GKN** shed 20 to £15.95 and **Siebe** lost 12 to £12.91.

However, **LucasVarity** was notable for shaking off the 'malaise of the sector. The company achieved one of the best performances in the FTSE 100 as it gained 12¼ to 254p following positive comment after its results on Tuesday.

Best and worst performing FTSE sectors

Alcoholic Beverages / Electronic & Electrical Equipment



Source: Datastream/ICV

FT 30 INDEX

	Apr 1	Mar 31	Mar 30	Mar 27	Mar 26	Yr ago	*High	*Low
FT 30	3816.4	3768.1	3750.3	3768.7	3754.1	2813.1	3816.4	3764.5
Ord. div. yield	2.89	2.93	2.95	2.94	2.94	3.84	4.22	2.89
P/E ratio net	24.58	24.21	24.05	24.16	24.11	16.83	24.58	15.80
P/E ratio nil	24.34	24.00	23.84	23.94	23.90	16.66	24.34	15.71

FT 30 since compilation: high 3816.4 01/04/98; low 49.4 26/06/40. Base Date: 1/7/35.

FT 30 hourly changes

Open	9	10	11	12	13	14	15	16	High	Low
3768.1	3770.0	3780.9	3790.2	3807.6	3803.8	3814.4	3827.2	3812.8	3837.5	3764.5

© FTSE International Limited 1998. All rights reserved. *For 1998

STOCK MARKET TRADING DATA

	Apr 1	Mar 31	Mar 30	Mar 27	Mar 26	Yr ago
SEAQ bargains	84,124	79,032	79,977	77,102	73,089	67,774
Equity turnover (£m)†	-	na	2907.2	3350.3	3240.6	3955.7
Equity bargains†	-	na	67,818	69,641	66,749	67,508
Shares traded (m)†	-	na	738.3	836.3	847.0	986.2
Total market bargains‡	-	na	83,058	81,519	86,472	na
Total turnover (£m)‡	-	na	3917.7	4705.1	4929.0	na
Total shrs traded (m)‡	*1100.0	na	‡937.8	‡1098.6	‡1172.1	na
Tradepoint turnover (£m)	38.5	31.5	54.8	24.8	38.5	1.0
Tradepoint shrs traded	8,722	9,880	11,054	9,047	10,359	550

†Excluding intra-market and overseas turnover but including Crest turnover. *UK only total at 6pm. ‡ UK plus intra-market turnover

London market data

Rises and falls*		52 week highs and lows		LIFFE Equity options	
Total Rises	826	Total Highs	229	Total contracts	24,801
Total Falls	867	Total Lows	54	Calls	13,383
Same	1,323			Puts	11,118

Apr 1 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FTSE 100 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Jun	5980.0	6084.0	+117.0	6120.0	5960.0	26871	152673
Sep	6135.0	6162.0	+117.0	6180.0	6135.0	101	3085

FTSE 250 INDEX FUTURES (LIFFE) £10 per full index point

Jun		5565.0	+12.0			0	6487

FTSE 100 INDEX OPTION (LIFFE) (*5984) £10 per full index point

EURO STYLE FTSE 100 INDEX OPTION (LIFFE) £10 per full index point

LONDON RECENT ISSUES: EQUITIES

RIGHTS OFFERS

FTSE GOLD MINES INDEX

	Mar 31	% chg on day	Mar 30	Year ago
Gold Mines Index (32)	1146.12	-0.6	1151.82	1698.83
Regional Indices				
Africa (14)	1088.39	0.0	1088.43	1943.07
Australasia (7)	1405.78	-0.4	1412.03	1952.18
North America (11)	1144.33	-0.6	1151.82	1513.71

Copyright, FTSE International Limited 1998. All rights reserved. Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FTSE Actuaries Share Indices — The UK Series

Produced in conjunction with the Faculty and Institute of Actuaries

	Apr 1	Day's chge%	Mar 31	Mar 30	Year ago	Gross yield%	Net yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FTSE 100	6017.6	+1.4	5932.2	5911.9	4239.6	2.72	2.30	2.08	22.33	49.69	2620.46
FTSE 250	5534.8	+0.2	5525.4	5528.3	4507.3	2.95	2.48	2.15	19.70	31.94	2357.87
FTSE 250 ex IT	5577.4	+0.2	5568.7	5572.8	4549.1	3.04	2.55	2.22	18.56	32.58	2384.56
FTSE 350	2886.5	+1.2	2852.3	2844.6	2081.7	2.76	2.32	2.08	21.79	22.50	2567.40
FTSE 350 ex IT	2891.7	+1.2	2856.8	2849.1	-	2.77	2.34	2.09	21.55	22.74	1319.21
FTSE 350 Higher Yield	2862.5	+1.1	2831.9	2826.3	2015.1	3.66	3.14	1.99	17.09	26.39	2171.28
FTSE 350 Lower Yield	2928.6	+1.3	2891.2	2880.3	2175.0	2.05	1.71	2.20	27.65	19.16	2120.41
FTSE SmallCap	2634.68	+0.2	2629.54	2634.40	2284.55	2.88	2.33	1.84	28.22	12.74	2277.66
FTSE SmallCap ex IT	2631.33	+0.2	2625.93	2632.62	2297.92	3.08	2.49	1.80	25.50	12.42	2296.50
FTSE All-Share	2813.33	+1.1	2781.66	2774.99	2064.46	2.77	2.33	2.04	22.09	21.40	2539.21
FTSE All-Share ex IT	2821.11	+1.2	2788.57	2781.86	-	2.79	2.35	2.06	21.73	21.71	1309.96

FTSE Actuaries Industry Sectors

Hourly movements

TRADING VOLUME

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Apr 1 / Sch)

BELGIUM/LUXEMBOURG (Apr 1 / Frs.)

CZECH REP (Apr 1 / Koruna)

DENMARK (Apr 1 / Kr)

FINLAND (Apr 1 / Mkk)

FRANCE (Apr 1 / Frs.)

GERMANY (Apr 1 / Dm.)

GREECE (Apr 1 / Drachma)

ITALY (Apr 1 / Lire)

NETHERLANDS (Apr 1 / Fls.)

NORWAY (Apr 1 / Kroner)

POLAND (Apr 1 / Zloty)

PORTUGAL (Apr 1 / Escudo)

SPAIN (Apr 1 / Pts.)

SWEDEN (Apr 1 / Kronor)

SWITZERLAND (Apr 1 / Frs.)

TURKEY (Apr 1 / Tk Lira)

PACIFIC

JAPAN (Apr 1 / Yen)

AUSTRALIA (Apr 1 / Aust$)

HONG KONG (Apr 1 / H.K.$)

INDONESIA (Apr 1 / Rupiah)

MALAYSIA (Apr 1 / MYR)

NEW ZEALAND (Apr 1 / NZ $)

SINGAPORE (Apr 1 / S$)

SOUTH KOREA (Apr 1 / Won)

TAIWAN (Apr 1 / TW $)

THAILAND (Apr 1 / Baht)

AMERICAS

CANADA

TORONTO (Apr 1 / Can $)
3:15 pm

MONTREAL (Apr 1 / Can $)
3:15 pm

MEXICO (Apr 1 / Peso)
11:30am

AFRICA

SOUTH AFRICA (Apr 1 / Rand)

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY MARCH 31 1998 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY MARCH 30 1998 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (73)	212.02	0.2	187.72	178.72	203.85	212.65	0.2	3.66	211.63	187.06	176.77	202.95	212.32	243.87	190.26	220.48
Austria (23)	218.64	0.0	193.58	184.30	210.22	210.08	0.2	1.55	218.73	193.34	182.70	209.76	209.60	221.21	175.14	187.46
Belgium (26)	305.26	-0.2	270.28	257.32	293.50	287.20	0.1	2.46	305.77	270.28	255.40	293.23	287.00	316.38	227.73	238.75
Brazil (30)	261.62	1.4	231.64	220.54	251.54	547.59	1.5	1.77	257.90	227.96	215.42	247.32	539.38	322.44	184.94	230.65
Canada (120)	243.88	0.0	215.93	205.58	234.48	251.15	0.0	1.60	243.80	215.50	203.64	233.80	251.06	247.29	178.27	185.43
Denmark (34)	509.68	0.5	451.27	429.64	490.05	488.70	0.8	1.23	507.18	448.23	423.57	486.30	485.03	513.41	348.27	368.76
Finland (28)	367.04	0.2	324.98	309.40	352.90	432.34	0.5	2.09	366.28	323.76	305.95	351.26	430.33	376.27	243.25	259.71
France (79)	295.74	1.4	261.85	249.29	284.35	287.43	1.6	2.00	291.69	257.83	243.64	279.73	282.86	295.74	209.81	226.25
Germany (58)	268.32	1.6	237.57	226.18	257.98	257.98	1.8	1.26	264.15	233.49	220.64	253.32	253.32	271.10	193.39	207.65
Hong Kong, China (66)	352.21	0.2	311.85	296.90	338.64	350.37	0.2	4.58	351.54	310.73	293.63	337.12	349.65	580.03	262.93	455.28
Indonesia (27)	58.38	0.6	51.69	49.22	56.14	309.81	0.0	2.17	58.05	51.31	48.49	55.67	309.81	254.90	27.67	232.54
Ireland (16)	510.74	-1.6	452.21	430.53	491.06	529.59	-1.4	1.87	519.13	458.86	433.61	497.83	536.97	525.08	322.44	333.28
Italy (54)	163.43	1.2	144.70	137.76	157.13	222.49	1.4	1.11	161.49	142.74	134.89	154.87	219.35	163.43	84.48	85.84
Japan (480)	97.71	0.1	86.51	82.37	93.95	82.37	1.0	0.96	97.61	86.28	81.53	93.61	81.53	141.12	88.52	113.36
Malaysia (107)	216.86	-0.6	192.01	182.80	208.51	304.02	-0.5	2.26	218.22	192.89	182.27	209.27	305.50	608.70	113.56	608.70
Mexico (29)	1663.73	-0.3	1473.06	1402.44	1599.64	15494.55	-0.6	1.46	1669.42	1475.62	1394.42	1600.94	15580.40	1901.98	1328.20	1344.31
Netherlands (19)	471.90	-0.8	417.82	397.79	453.72	449.01	-0.5	2.04	475.45	420.26	397.13	455.95	451.17	484.91	330.32	353.32
New Zealand (14)	73.14	-1.1	64.76	61.66	70.33	70.25	-0.8	4.65	73.92	65.34	61.74	70.89	70.80	96.47	71.49	84.83
Norway (38)	326.96	-1.9	289.49	275.61	314.38	338.35	-1.4	1.85	333.43	294.72	278.51	319.75	343.01	374.64	281.62	313.64
Philippines (22)	102.73	-2.6	90.95	86.59	98.77	194.03	-1.1	1.06	105.42	93.18	88.05	101.10	196.22	196.90	57.54	198.90
Singapore (42)	230.48	-3.0	204.06	194.28	221.60	171.53	-2.5	1.81	237.50	209.93	198.38	227.76	175.94	402.07	144.01	384.62
South Africa (43)	304.25	0.7	269.38	256.48	292.52	335.09	1.1	2.62	302.26	267.17	252.47	289.86	331.35	365.52	227.66	360.50
Spain (32)	371.97	-0.4	329.34	313.55	357.64	442.46	-0.1	1.63	373.53	330.17	312.00	358.21	442.97	380.44	210.35	215.18
Sweden (49)	556.14	-1.1	492.41	468.80	534.72	658.19	-0.2	1.77	562.26	496.99	469.64	539.20	659.86	571.99	405.00	446.48
Switzerland (31)	393.92	0.1	348.78	332.06	378.75	372.31	0.6	1.04	393.39	347.72	328.59	377.25	370.12	398.18	252.68	262.41
Thailand (39)	29.62	-1.5	26.23	24.97	28.48	45.13	0.5	8.65	30.09	26.59	25.13	28.85	44.90	84.87	13.10	80.04
United Kingdom (209)	388.91	0.2	344.34	327.84	373.93	344.34	0.3	2.85	388.30	343.23	324.34	372.37	343.23	391.93	275.44	283.00
USA (640)	449.93	0.7	398.37	379.27	432.60	449.93	0.7	1.41	446.65	394.80	373.07	428.33	446.65	451.29	299.79	307.07
Americas (819)	408.10	0.7	361.33	344.01	392.38	344.59	0.7	1.42	405.25	358.21	338.50	388.63	342.19	409.30	274.59	281.15
Europe (808)	346.17	0.4	306.50	291.81	332.84	332.40	0.6	2.02	344.92	304.88	288.10	330.77	330.29	349.41	238.44	248.87
Nordic (149)	486.50	-0.7	430.74	410.09	467.76	505.90	-0.1	1.74	489.92	433.04	409.21	469.82	506.26	497.77	355.77	383.40
Pacific Basin (870)	109.10	0.0	96.60	91.96	104.90	92.23	0.8	1.62	109.07	96.41	91.10	104.60	91.54	158.99	95.32	133.20
Euro-Pacific (1566)	207.93	0.3	184.10	175.27	199.92	182.60	0.7	1.90	207.39	183.31	173.23	198.88	181.39	210.87	172.03	181.41
North America (760)	436.85	0.7	386.79	368.25	420.02	436.57	0.7	1.42	433.80	383.44	362.34	416.01	433.52	438.12	292.34	299.65
Europe Ex. UK (487)	314.61	0.5	278.55	265.20	302.49	318.50	0.8	1.57	313.12	276.77	261.54	300.27	313.97	318.12	213.38	224.70
Pacific Ex. Japan (390)	209.54	-0.2	185.53	176.63	201.47	208.09	-0.1	3.75	209.99	185.62	175.40	201.38	208.36	318.98	161.31	299.25
World Ex. US (1788)	212.04	0.3	187.74	178.74	203.87	189.95	0.6	1.89	211.49	186.94	176.65	202.82	188.74	214.82	175.30	184.57
World Ex. UK (2219)	279.26	0.6	247.25	235.40	268.50	256.99	0.7	1.49	277.74	245.50	231.98	266.35	255.12	281.08	211.16	217.75
World Ex. Japan (1948)	383.51	0.6	339.56	323.28	368.73	378.65	0.7	1.72	381.41	337.13	318.58	365.76	376.20	385.26	271.90	279.46
The World Index (2428)	288.52	0.5	255.45	243.21	277.41	264.90	0.7	1.64	287.07	253.75	239.78	275.30	263.09	290.27	216.61	223.28

Emerging markets: IFC investable indices

Dollar terms

3:15 pm April 1

NEW YORK STOCK EXCHANGE PRICES

- A -

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

- T -

[illegible]

- U -

[illegible]

- V -

[illegible]

- W -

[illegible]

- X - Y - Z -

[illegible]

Price data supplied by Telekurs, part of FT Information.

Yearly highs and lows for NYSE reflect the period from Jan 1 1998. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

d-new yearly low. P/E price-earnings ratio. ex-rights. u-new yearly high. x-ex-dividend or ex-rights. yld-yield. z-sales in full.
§ Dealings suspended.

♣ FT Free Annual Reports Service
You can obtain the current annual reports and if available quarterly reports of any companies on the US exchanges with a ♣ symbol. To order reports ring International Access 1-804-32 0-8097 or give the names of the companies whose reports you want and fax your request to International Access 1-804-320-8135. Reports will be sent the next working day, subject to availability. You can also order online at http://www.icbinc.com/cgi-bin/ft.

GLOBAL EQUITY MARKETS

US INDICES

Dow Jones	Mar 31	Mar 30	Mar 27	1998 High	1998 Low	Since compilation High	Since compilation Low
Industrials	8799.81	8782.12	8796.08	8906.43 (20/3/98)	6391.69 (11/4/97)	8906.43 (20/3/98)	41.22 (8/7/32)
Home Bonds	105.09	105.28	105.25	105.48 (15/1/98)	101.09 (14/4/97)	105.48 (15/1/98)	54.99 (1/10/81)
Transport	3577.09	3499.33	3512.32	3636.81 (17/3/98)	2222.07 (2/1/97)	3636.81 (17/3/98)	13.23 (8/7/32)
Utilities	285.94	281.90	282.64	287.60 (24/3/98)	209.47 (25/4/97)	287.60 (24/3/98)	16.53 (8/7/32)

DJ Ind. Day's high 8837.57 (8877.04) Low 8720.32 (8701.68) (Theoretical♣)
Day's High 8858.96 (8827.06) Low 8777.14 (8748.74) (Actual♣)

Standard and Poors	Mar 31	Mar 30	Mar 27	1998 High	1998 Low	Since compilation High	Since compilation Low
Composite‡	1101.75	1093.55†	1095.44	1105.65 (24/3/98)	737.01 (2/1/97)	1105.65 (24/3/98)	4.40 (1/6/32)
Industrials♥	1282.23	1274.81†	1273.93	1283.10 (24/3/98)	865.42 (11/4/97)	1283.10 (24/3/98)	3.52 (30/6/32)
Financial♥	132.92	131.11	132.87	136.92 (20/3/98)	80.75 (2/1/97)	135.52 (20/3/98)	7.13 (4/9/74)
Others							
NYSE Comp.	572.78	568.89	569.80	574.88 (24/3/98)	389.47 (11/4/97)	574.88 (24/3/98)	4.54 (25/4/42)
Amex Comp	741.63	738.45	738.33	741.63 (31/3/98)	541.20 (28/4/97)	741.63 (31/3/98)	524.20 (18/7/96)
NASDAQ Comp	1835.68	1818.70	1823.62	1835.68 (31/3/98)	1201.00 (2/4/97)	1835.66 (31/3/98)	54.87 (3/10/74)
Russell 2000	480.68	476.24	477.15	480.67 (31/3/98)	335.85 (25/4/97)	480.67 (31/3/98)	123.38 (7/12/93)

■ RATIOS

	Mar 27	Mar 20	Mar 13	Year ago
Dow Jones Ind. Div. Yield	1.58	1.57	1.63	1.91

	Mar 25	Mar 18	Mar 11	Year ago
S & P Ind. Div. yield	1.32	1.35	1.36	1.77
S & P Ind. P/E ratio	30.37	29.80	29.28	22.54

US DATA

■ TRADING ACTIVITY

● Volume (million)	Mar 31	Mar 30	Mar 27
NYSE	674.930	497.540	506.770
Amex	32.037	24.976	32.242
NASDAQ	846.442	661.376	744.728

NYSE	Mar 31	Mar 30	Mar 27
Issues Traded	3,487	3,481	3,468
Rises	1,834	1,231	1,315
Falls	1,039	1,722	1,573
Unchanged	584	528	580
New Highs	243	111	146
New Lows	28	32	27

■ NYSE TRADING ACTIVITY — Volume : 674,930,000

■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
PhMorr	12,450,700	41⅞	−1⅛
Compaq	7,587,100	25⅝	−⅛
Adv Micro	7,050,600	28¾	+2⅝
Merola	6,389,700	60⅝	+3⅛
MicroTech	5,164,600	29¼	+¼
El Lilley	4,906,500	59⅝	+1⅛
McDonalds	4,509,900	60	+⅞
Mad City	4,383,800	73¼	+¼
Pfizer	4,387,800	99⅞	+1⅞
Gen Elec	3,071,900	86⅛	+⅝

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Michael	32	+3⅞	+14
IntlJohns	30⅝	+2⅞	+10.2
Novo-Nord	83⅝	+4⅝	+6.2
Fed Mogul	57¼	+3¼	+6.1
Downs			
Mick Hills	23¼	−2⅝	−8.4
Smedvig A	21⅛	−1⅞	−8.4
RJR Nbisco	31⅛	−1⅞	−5.7
Florida Rck	28⅛	−1⅞	−5.6

■ NASDAQ TRADING ACTIVITY — Volume :846,442,000

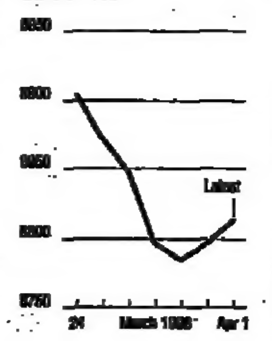
■ ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Day's change
MedelCorA	24,698,100	33⅝	+3⅞
NK Rec	18,195,900	3⅛	−⅛
Intel	14,191,600	78¼	+⅞
Microsoft	9,238,700	89⅝	+1⅞
Dell Comp	7,860,200	67⅝	+¼
Worldcom	7,243,000	43¼	+⅝
Oracle	6,991,700	31⅞	+⅝
Ascend Cm	6,471,200	37⅝	−⅝
Three Com	6,218,500	35⅞	+⅝
Cisco Sys	5,952,700	68⅝	+⅛

■ BIGGEST MOVERS

Tuesday	Close price	Day's change	Day's chge %
Ups			
Odetics B	10¼	+3⅛	+49.1
Depomed	12⅝	+3⅛	+33.8
Cyber Comp	32¼	+5¼	+20.1
Intgd Sys	31	+5	+19.2
Downs			
Radiyn	23⅝	−6⅝	−20.8
Adv Tissue	6¼	−⅝	−20.5
Celgene	14⅝	−2⅝	−15
Bam Chic	38⅝	−6⅝	−14.2

Dow Jones



FTSE Eurotop 300

JAPAN

	Apr 1	Mar 31	Mar 30	1998 High	1998 Low	Since compilation High	Since compilation Low
Nikkei 225	16241.66	16527.17	16263.04	17264.34	14664.44	38915.9	85.25

Day's high: 16440.75. Day's low: 16147.75.

■ TOKYO TRADING ACTIVITY — Volume : 556,000,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Np Steel Cp	26,590,000	203	−11
NKK Corp	16,861,000	117	−3
Sakura Bk	13,802,000	421	−32
LTCB	12,172,000	214	−18
Fujita Cp	8,298,000	100	−7
Asid Corp	8,158,000	81	−12
Kawaid Stl	8,304,000	176	−20
Yasuda T & B	7,373,000	170	−36
Sumo Mf Ind	6,381,000	205	−18
Np Credit Bk	6,013,000	140	−9

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Nippon Lace	97	+11	+12.8
Tk Wan Auto	357	+35	+10.9
TOC	1228	+100	+8.9
Heiden Cp	1740	+130	+8.1
Downs			
Ishiwa Seis	154	−42	−21.4
Harato	178	−42	−19.1
Jojiya	132	−31	−19
Nishioka	110	−25	−18.5

FRANCE

	Apr 1	Mar 31	Mar 30	1998 High	1998 Low	Since compilation High	Since compilation Low
CAC 40	3883.31	3875.81	3800.23	3883.31	2862.54	3883.31	984.61

Day's high: 3911.59. Day's low: 3853.15.

■ PARIS TRADING ACTIVITY — Volume : 539,346,875

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Fr.Telecom	1,603,525	335.2	+8.4
Alcatel	1,403,308	1100	+38
Rhone-Ploc	1,303,482	314	−0.9
C.Fo Paribas	1,104,051	632	+5
Usinor	1,002,537	103.7	+0.1
Axa-UAP	955,252	649	+11
Elf Aquitaine	925,827	794	−18
BNP	831,803	495.1	+14.6
Total	605,847	735	−9
Eurs.	573,585	1002	−4

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Rondom	0.35	+0.05	+16.7
Omnicom	522	+69	+15.2
Pechiney	148	+18	+13.8
BqeTrezaint	259.9	+23.8	+10.1
Downs			
CEE	81	−7	−8
BUT	286	−22.1	−6.9
Lafarge	7.55	−0.55	−6.8
Aerosdat	280	−20	−6.7

GERMANY

	Apr 1	Mar 31	Mar 30	1998 High	1998 Low	Since compilation High	Since compilation Low
DAX	5154.21	5102.35	5009.76	5154.21	4087.28	5154.21	931.18

Day's high: 5154.21. Day's low: 5083.24.

■ FRANKFURT TRADING ACTIVITY — Volume : 15,618,800

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Commzbank	1,033,308	68.4	+1.5
Deut.Telkm	775,879	38.8	−0.35
Deut.Bank	732,892	140.45	+1.3
Bayer	862,411	83.85	−0.75
BASF	837,441	81.8	−0.45
Lufthansa	559,183	38.85	
Siemens	548,560	125.3	+1.5
Hoechst	459,551	72.74	+0.29
Daimler-Bz	408,796	171.75	+1.75
Veba	388,812	131.4	+0.2

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
PWA Papier	355	+44	+14.1
Dyrwerk NV	43.05	+4.35	+11.2
Aldron	510	+39	+8.3
SAI Auto	30.3	+1.8	+6.3
Downs			
Rosi	65	−4	−5.8
Sarmag	480	−35	−6.2
Leiskering	296	−15	−4.8
Miralle Kisten	22.9	−1	−4.2

UK

	Apr 1	Mar 31	Mar 30	1998 High	1998 Low	Since compilation High	Since compilation Low
FTSE 100	6017.6	5932.2	5911.9	6017.60	5068.80	6017.6	986.9

Day's high: 6030.7. Day's low: 5907.1.

■ LONDON TRADING ACTIVITY — Volume : 1,071,100,000

■ ACTIVE STOCKS

Wednesday	Stocks traded	Close price	Day's change
Unilever	30,743,130	582½	+17½
Tomasin	27,247,610	2½	
NatWest	25,748,510	1102	+9
Shell T&T	28,979,140	447	+8
BTR	17,815,880	207	+11
Lloyds TSB	15,801,180	952	+23
BP	15,747,180	865	+3
Smth.Bchm	14,002,940	763½	+8½
Brit.Steel	13,131,410	140½	−1½
Aggregate Inds	12,753,440	60½	−2½

■ BIGGEST MOVERS

Wednesday	Close price	Day's change	Day's chge %
Ups			
Sc&Gn Media	51½	+21½	+71.7
Versalite	2	+¼	+14.3
Adacome	170	+20	+13.3
Xavier	9	+1	+12.5
Downs			
Aviva Pet	8½	−2½	−20.8
XCL	232½	−57½	−19.8
AAF Inds	48½	−6	−11.4
Pax	4	−½	−11.1

INDEX FUTURES

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open int.
Jun	1110.00	1112.70	+2.20	1116.30	1109.20	120,584	354,079
Sep	−	1122.50	+0.10	−	−	183	7,251
■ Nikkei 225	**Open**	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Jun	16240.0	16210.0	−90.0	16420.0	16110.0	29,034	198,575
Sep	16200.0	16200.0	−200.0	16200.0	16200.0	1	13,188

Open interest figures for previous day.

■ CAC-40 (200 x index)	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	3875.5	3878.0	−4.0	3887.5	3875.0	16,067	36,116
May	3875.5	3861.5	−3.0	3880.0	3875.5	51	657
■ DAX							
Jun	5095.0	5151.0	+40.0	5195.0	5088.0	21,916	110,581
Sep	5160.0	5197.0	+68.5	5235.0	5150.0	248	16,757

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
Apr	2899.50	2929.00	+27.50	2938.00	2887.00	5,688	27,219
Jun	−	−	−	−	−	−	−
■ SOFFEX							
Apr	7571.0	7621.0	+29.5	7651.0	7520.0	5,775	23,226
May	−	7586.5	−	−	−	167	884

WORLD MARKETS AT A GLANCE

Country	Index	Apr 1	Mar 31	Mar 30	1998 High	1998 Low	♣ Yield	♣ P/E
Argentina	General	23368.47	23394.93	23457.53	23486.47 23/3	18237.40 2/1	2.78	20
♣Edged slightly higher supported by Wall Street.								
Australia	All Ordinaries	2782.9	2744.2	2741.0	2782.80 24/3	2542.40 12/1	3.34	19.7
	All Mining	642.5	642.7	641.2	661.80 9/2	552.20 13/1		
Firm bonds after weak retail trade data underpinned market. Falls outnumbered rises reflecting weakness in securities.								
Austria	Credit Aktien	(s)	(s)	527.51	528.86 24/3	437.44 13/1	1.69	15.1
	ATX Index	1504.25	1498.20	1508.32	1509.82 27/3	1245.80 13/1		
Active buying of engineering group VA Tech and former tobacco monopoly Austria Tabak helped shares.								
Belgium	BEL20	3005.82	2985.52	2977.00	3041.59 25/3	2357.78 10/1	1.53	19.7
Breached the psychologically important 3,000 level thanks to a rally in bank shares.								
Brazil	Bovespa	11868.0	11947.0	11750.0	12825.00 23/3	9118.09 9/1	na	na
♣Weakened on profit taking triggered by a decline in Asian markets.								
Canada	TSE 100◆	457.88	460.18	460.18	464.30 27/3	380.83 12/1	1.5	22.4
	Metals Mins◆	4100.02	4114.49	4126.14	4369.01 10/3	3442.35 12/1		
	Composite◆	7526.40	7558.50	7567.91	7622.53 30/3	6238.98 12/1		
	Portfolio§§	3812.08	3838.14	3835.07	3874.99 27/3	3234.41 12/1		
♣Knocked down by a decline in gold stocks. The gold index fell 0.5 per cent.								
Chile	IGPA Gen♥	4837.45	4833.17	4819.29	4891.95 17/3	4240.47 27/1	2.6	16.1
♣Rose marginally higher as investors waited for direction from Wall Street.								
China	Shanghai B	53.63	53.98	54.50	59.58 10/2	40.89 12/1	0.82	44.5
	Shenzhen B	92.30	93.10	94.94	98.97 10/2	77.98 12/1		
Shanghai B shares edged lower as demand for Zhejiang Power failed to spread to other stocks. Volume lifted to $7.39m.								
Colombia	IBB	(s)	1178.98	1181.16	1431.48 7/1	1130.31 19/3	na	na
Czech Republic	PX 50	503.1	505.0	509.1	517.39 23/3	452.48 4/2	na	na
Denmark	CopenhagenSE	769.79	765.59	762.79	769.79 30/3	657.98 12/1	1.2	23.8
Closed at a record high supported by bullishness on other European bourses.								
Egypt	Cairo SE Gen	398.85	398.50	398.52	398.85 30/3	346.40 2/2	na	na
Posted small gains after trading focused on cement, contracting and banking shares.								
Finland	HEX General	4410.86	4355.81	4342.71	4410.86 30/3	3220.43 12/1	2.3	15.4
Finished at fresh high led by Nokia and insurer Sampo.								
France	SBF 250	2489.99	2482.08	2444.04	2489.99 30/3	1873.10 12/1	2.11	21.4
	CAC 40	3883.31	3875.81	3800.23	3883.31 30/3	2862.54 12/1		
Finished at a record high for the second consecutive day thanks to the firm dollar.								
Germany	FAZ Aktien	1657.92	1647.48	1634.26	1657.92 30/3	1334.15 12/1	1.31	22.4
	Commerzbank	4881.20	4858.90	4822.30	4881.20 30/3	3926.30 12/1		
	DAX‡	5154.21	5102.35	5009.76	5154.21 30/3	4087.28 12/1		
Dax advances to a record led by banks scheduled to merge and Mannesmann.								
Greece	Athens SE	1998.78	2005.82	2083.49	2083.89 30/3	1366.13 29/1	1.82	21.5
	FTSE/ASE 20	1172.41	1186.81	1225.25	1225.25 30/3	785.18 29/1		
Cautiousness prompted profit taking as foreign investors remained sidelined.								
Hong Kong	Hang Seng	11331.42	11518.88	11503.76	11610.88 25/3	8121.86 12/1	3.56	11.2
	HSCC Red Chip	1620.95	1253.79	1662.95	1776.09 27/2	864.30 12/1		
Yen weakness and falling share prices in Tokyo weighed on Hong Kong stocks. Utilities was the only sector to rise.								
Hungary	Bux	8804.59	8659.24	8612.25	8804.59 30/3	7280.26 12/1	na	na
Higher on foreign buying of telecom group Matav and oil chemicals company TVK.								
India	BSE Sens.	3909.57	3882.75	3857.98	3909.57 30/3	3209.55 28/1		
	Crisil 500	732.57	715.54	718.85	732.57 30/3	594.36 28/1	na	na
A late rally in tobacco conglomerate ITC shares pushed shares higher.								
Indonesia	Jakarta Comp.	523.85	(s)	541.42	554.19 2/2	342.97 9/1	1.9	17.9
Investors find shares as fears over March inflation data due today and concerns over President Suharto's health.								
Ireland	ISEQ Overall	5333.80	5267.30†	5313.74	5339.29 25/3	4054.76 2/1	1.77	18.5
Gained ground as positive sentiment from spilled over from London trading.								
Israel	Tel Aviv 100	304.57	302.79	300.11	304.57 30/3	285.12 11/2	na	na
Rally supported by falling inflation and interest rates, although trading remained thin.								
Italy	BCI Comit 30	358.83	349.58	345.70	358.83 30/3	254.94 2/1	1.25	31.2
	Banca Com Ital	1584.68	1537.16	1512.33	1584.68 30/3	1072.35 2/1		
	Mibtel General	25163.0	24553.0	24303.0	25163.00 30/3	17288.00 2/1		
Posted record high as investors continued to switch from bonds to equities. Bank stocks lead rally.								
Japan	Nikkei 225	16241.66	16527.17	16263.04	17264.34 2/3	14664.44 12/1	0.91	41.7
	Nikkei 300	243.45	247.28	244.30	257.48 10/2	224.85 12/1		
	Topix	1231.53	1251.70	1241.27	1308.30 10/2	1120.61 12/1		
	2nd Section	1329.26	1338.15	1345.37	1401.27 12/2	1173.78 14/1		
Nikkei lost all Tuesday's gains as concerns over economy persisted. A gloomy quarterly "tankan" survey is expected today.								
Jordan	Amman SE	165.38	165.77	166.00	172.33 3/3	164.54 30/1	na	na
Malaysia	KLSE Comp.	700.06	719.52	722.96	745.36 27/2	477.57 12/1	2.34	14.6
Troubled with lack of news to inspire buyers and disappointing corporate results. Falls swamped rises by over 13 to 1.								
Mexico	IPC	5005.83	5016.22	5038.46	5204.00 2/1	4477.80 29/1	1.15	13.7
♣Cautiousness over oil prices weighed on share prices.								
Morocco	CFSA	728.03	724.06	721.48	728.03 30/3	658.57 21/1	na	na
Netherlands	CBS TtlRtnGen	1328.4	1306.9	1310.2	1328.40 30/3	1045.20 12/1	1.75	23.2
	CBS All Shr	760.6	748.2	750.2	760.60 30/3	598.20 12/1		
Royal Dutch and Unilever supported overall market. ING gained ground ahead of earnings release.								
New Zealand	Cap. 40	2332.72	2289.27	2308.12	2350.82 20/3	2187.61 28/1	3.85	18.3
Stabilising fixed interest and currency markets provided the background for a solid rebound after recent volatility.								
Nigeria	SE All-Share	6302.74	6298.5	6300.20	6604.87 11/2	2288.49 12/1	na	na
Norway	Oslo SE Ind	2287.86	2280.61	2303.70	2303.70 30/3	1889.91 12/1	1.48	18.4
Posted small gains as worries over lower oil prices dampened buying interest.								
Pakistan	Karachi SE	1525.78	1553.06	1554.80	1746.31 2/1	1502.20 12/1	na	na
Late sell-off was attributed to rumours that a large foreign fund was reducing its exposure in Pakistan.								
Peru	Lima Gen	1705.72	1705.84	1719.45	1789.38 2/1	1652.88 25/2	na	na
Philippines	Manila Comp	2209.37	2238.42	2273.80	2311.42 25/3	1518.00 9/1	1.17	15.7
Fifth consecutive fall with weak peso discouraging buyers. Falls beat rises by 5 to 1 but volume was a thin 1.17bn pesos.								
Poland	WIG	17038.7	16864.0	17176.2	18582.70 11/3	13228.80 12/1	1.07	13.9
Ahead for the first time in four trading days thanks to foreign buying.								
Portugal	BVL 30	5586.83	5532.63	5514.65	5598.88 30/3	3879.27 2/1	0.87	42.7
	PSI 20	12899.66	12852.51	12781.17	12899.66 30/3	9031.94 2/1		
Strengthened on buying by money managers at the start of the second quarter.								
Russia	RTS	321.91	325.50	331.28	411.91 5/1	265.58 28/1	na	na
Recouped some of earlier losses as parliament drops demand that president withdraw support for Kiriyenko's premiership.								
Singapore	SES All-S'pore	408.49	419.14	426.93	437.98 19/3	324.92 12/1	2.05	16.9
	Straits Times	1600.12	1628.18	1648.38	1698.75 19/3	1073.47 12/1		
Sharp rally near close pulled shares up from intra-day low of 1,586. Nevertheless, falls still swamped rises by 13 to 2.								
Slovakia	SAX	135.60	138.91	138.27	182.46 5/1	135.46 26/3	na	na
Pushed down by sharp drop in steel maker VSZ.								
South Africa	JSE Gold	843.0♥	814.2	806.9	864.20 5/2	672.60 18/3	2.3	16.4
	JSE Indl.	8987.0♥	8849.8	8777.9	8857.00 30/3	6715.18 12/1		
Set fresh record on heavy institutional buying. Active buying of Richemont.								
South Korea	KoreaCompEx**	468.22	481.04	482.33	574.26 2/3	386.48 5/1	2.13	3.3
Dissipating foreign demand left shares sliding under sustained selling pressure from domestic investors.								
Spain	Madrid SE	898.73	888.87	887.58	898.73 30/3	645.14 12/1	1.67	28
Ended volatile session with financial institution Argentaria up by 8 per cent.								
Sri Lanka	CSE All Share	711.20	712.80	715.40	717.30 20/3	655.80 28/1	na	na
Broadly weaker and volumes were heavy in spite of temporary communication breakdown at stock exchange.								
Sweden	AffarsvarldsGen	3576.8	3549.2	3554.1	3590.36 25/3	2853.18 12/1	1.47	25.4
Strength in Astra pushes up drug index by 2.6 per cent.								
Switzerland	SMI Index	7615.5	7585.5	7536.3	7615.50 30/3	6082.18 12/1	0.95	30.2
	SPI General	4737.22	4718.64	4691.33	4737.22 30/3	3781.36 12/1	na	na
Strides from peak to peak as CS Group rockets 3 per cent higher.								
Taiwan	WeightedPr.**	9041.60	9081.16	9088.86	9277.89 2/3	7375.14 12/1	1.08	34.7
Late selling due to regional worries eroded early Wall Street-inspired gains. Volume was T$138bn.								
Thailand	Bangkok SET	456.57	459.11	465.09	558.92 3/2	339.17 12/1	2.34	30.3
Early gains reversed as imminent recapitalisations in banking sector continued to overshadow shares.								
Turkey	IMKB Nat 100	3280.31	3259.06	3222.79	3711.40 5/1	2777.08 10/2	1.98	21.2
Marginally higher on subdued trade ahead of Islamic holiday.								
Venezuela	IBC	7620.51	7685.83†	7768.08	8116.86 4/2	6305.67 27/1	na	na
♣Market edged lower on very quiet morning trade.								
Zimbabwe	ZSE Industrial	8559.67	8795.71	8289.50	8795.71 31/3	7649.19 23/1	na	na
Slumped on profit taking by local investors.								
WORLD	FT/S&P World§	(s)	288.52	287.07	290.27 25/3	243.88 9/1	na	na
	MS Capital Int§	(s)	1085.9	1081.4	1077.30 25/3	898.58 12/1	na	na
CROSS-BORDER	DJ Stoxx 50	3271.98	3229.29	3215.32	3253.88 25/3	2574.51 12/1		
	DJ Euro Stx 50	3198.05	3153.32	3137.08	3288.33 23/3	2468.61 12/1		
	FTSE E300	1230.72	1216.01	1212.72	1217.94 25/3	971.83 12/1		
	FTSE E100	2837.28	2805.7	2794.95	2808.10 25/3	2226.40 12/1	na	na
	HSBC JC Drgn	(s)	268.48	269.76	273.91 26/3	180.25 12/1	na	na
	ING Brngs Emrg	155.40	156.29	157.05	188.71 27/3	125.18 12/1	na	na

** Sat Mar 28: Taiwan Weighted Price closed, Korea Comp Ex 466.28. §§ Montreal. ◆ Toronto. (s) Closed. (u) Unavailable. ‡ XETRA-DAX after-hours index: Apr 1 5125.35 +38.10. † Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♣ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. ♣ Yields and P/E ratios are based on Datastream Total Market indices. ♣ Midsession.

THE NASDAQ STOCK MARKET

3:15 pm April 1

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

THE NASDAQ STOCK MARKET

Stock	Div.	P/E	Vol 100s	High	Low	Last	Chng
[illegible]							

AMEX PRICES

3:15 pm April 1

Stock	Div.	P/E	Vol 100s	High	Low	Close	Chng
[illegible]							

EASDAQ

EASDAQ is a fully regulated independent pan European Stock Market focused on high growth companies with international aspirations. The shares of companies on the EASDAQ Stock Market can be bought and sold through EASDAQ Members.

Company	Mid price	Change on day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ActivCard	US$2.875	-0.25	9900	3.125	2.25	Gruppo Formula	ITL35100	+550	15815	37750	14250
ActivCard Rights	US$0.875	-0.125	13200	3	0.75	Innogenetics	US$49.75	-1.625	119820	56.625	9.875
Algol◆	ITL23500		7400	23750	12450	Integr. Surg. Syst.◆	DEM10.2	+0.3	677	12.1	6.8
Artwork Systems	US$9.125	+0.125	10480	11.125	5.875	Lernout & Hauspie	US$88.5	-0.75	34632	93	25
Chemunex◆	FFr14.5		3895	17.5	9	Memos	US$15.125	+0.1875	75898	16.25	7.1875
City Bird Holding	US$8.125	-0.688	10972	10.3125	6.8125	Mercer Int'l◆	US$9.875		0	12.875	8
Debonair Holdings	GBP2.5	+0.05	2000	7.15	1.7	NTL	US$43.25	+1.125	60	45.5	20.5
Dr Solomon's	US$32.75	-2.625	8400	46.25	20.375	Opbon Int'l	US$39.5	+1.5	61399	42.25	10.375
EDAP TMS	US$8.375	+0.0625	350	9.125	5.625	ProTech◆	US$5.625	+1	47115	6.625	2.125
ESAT Telecom	US$28.4375	+0.5625	380	28.5	13.25	Royal Olympic	US$16.625		0	16.75	13.625
Espace Prod. Int.	FFr103.63	-0.06	1000	117	88.83	Schoeller-Bleckmann◆	Sch1600	-5	730	1692	900
Esprit Telecom	US$18	+0.375	440	18.5	4.875	Topcall Int'l◆	Sch12550	-38	842	12900	3085
Global TeleSystems	US$46.75	-0.25	500	49.125	24.5	Turbodyne Technol.◆	US$4.53	-0.05	40090	6.25	2.1

Prices for 1/4/98. Please note that mid prices are now used to calculate highs and lows. Information about EASDAQ can be found on the Web site at HTTP://WWW.EASDAQ.be EASDAQ offices are located in Brussels (Tel: 32-2 / 227 65 20) and in London (Tel: 44-171 / 489 9990). Annual/interim reports can be obtained for companies with a ◆ marked in this box. For further details please see London Share Service pages

STOCK MARKETS

No sign yet of any slackening in bull run

WORLD OVERVIEW

The first quarter of 1998 may be over, but there was no sign of the bull market's pace slackening in western markets yesterday, *writes Philip Coggan.*

Whereas the Tokyo stock market struggled to come to terms with the new Big Bang era, another set of European bourses established record closing highs. Leading the pack were Copenhagen, Frankfurt, Helsinki, Madrid, Milan, Paris and Zurich.

Activity in continental Europe is steadily picking up, as was shown by the purchasing managers' indices in Germany and Italy, which both revealed healthy manufacturing sectors.

Given the low level of inflation across Europe, this is the stage of the cycle where equity markets can take heart from signs of a buoyant economy, rather than worry that central banks will start to raise interest rates.

"The markets are telling you that there is a huge amount of value creation in Europe," says Gary Dugan of J P Morgan Securities. "Lower bond yields and higher returns on capital constitute an environment made in heaven for European equities. Most markets may not rise another 30 per cent but we believe there is still scope for returns that will beat cash, bonds and most other major equity markets in the world."

Morgan has cut its recommended weightings in Italy and Switzerland from overweight to neutral and reinforced the overweight positions in France and the Netherlands.

In Japan, the Nikkei 225 fell nearly 2 per cent, dragged down by the collapse of a finance company, Daiichi. Bank shares were under pressure on fears that the Big Bang reforms would weaken their position. Meanwhile, comments by Eisuke Sakakibara, the vice finance minister known as "Mr Yen", failed to give the Japanese currency much support.

"The arrival of Japan's Big Bang means, among other things, that many domestic funds are now allowed to invest overseas," said Robin Aspinall of National Australia Bank. "Stand by for a dangerous few days as the Nikkei and yen lurch downwards."

Gail Fosler, chief economist of the Conference Board, said that while Asia's financial markets had stabilised, their recovery would be threatened by the sluggish economy in Japan.

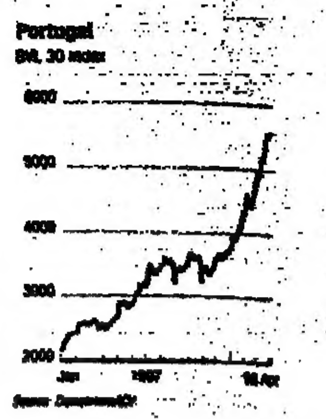
She said the region should enjoy a clear recovery by mid-1999, but it was questionable whether previous growth rates of 6-7 per cent could be regained.

Currencies, Page 21
London market, Page 28

MARKET FOCUS

Euro euphoria buoys Lisbon

The Lisbon stock market, where the BVL 30 index has gained 47 per cent since January, has been one of the biggest beneficiaries of what one Portuguese analyst describes as "euro euphoria". The term denotes a flood of funds into equities because of the rapid convergence of European interest rates to German levels ahead of the single currency.



In Portugal, this liquidity flow is the one element that could drive indices even higher this year in a market where analysts say share prices are now approaching fair value.

"New money coming into the market is creating very strong pressure that makes normal valuations based on price/earnings ratios ineffective," says Diego Hernando, head of research at Midas Investimentos, the Lisbon brokers. "You have to go back to the drawing board to take the effect of liquidity flows more strongly into account."

The flood of money into equities contributed to Mr Hernando's forecast of a 50 per cent gain for the BVL 30 in 1998. His estimate was made last December, after a gain of more than 100 per cent over the previous two years, when the consensus forecast was 25-30 per cent.

But Mr Hernando's optimistic forecast has almost been overtaken in little more than three months.

José Salgado, head of equity at Banco Finantia, says the market had discounted Portugal's membership of European economic and monetary union more than six months ago. Portugal, one of the fastest-expanding economies in the European Union, was now benefiting from a flow of funds into southern European economies, partly in response to the Asian crisis.

"Because liquidity pressure is so strong, the fact that Portuguese shares are reaching the top end of their valuations in terms of corporate earnings no longer applies," Mr Salgado says.

A fall in interest rates has been the driving force behind rapid growth in Lisbon, upgraded at the end of last year from emerging to developed market status. Rates on 10-year government bonds have fallen 2.3 percentage points over the past two years to 5.2 per cent and are now almost equal to German rates.

But short-term rates have a further 83 basis points to fall to the core European level, a convergence expected to stimulate further liquidity flows into shares.

Falling interest rates have also contributed to a strong lift in corporate profits.

But most of the earnings growth in Portuguese companies has been due to lower interest rates and the resulting improvement in debt-to-capital ratios; the growth of operating profits generally has not risen above single digits.

"There is not much room for any disappointments in terms of company profits or interest rates," says one asset manager. Either of these would almost certainly trigger a correction and most analysts agree that a 50 per cent gain by the end of 1998 is as much as Lisbon can expect.

Peter Wise

Dow recovers after weak start to day

AMERICAS

Wall Street made a calmer start to the new quarter, following Tuesday's volatile session, *writes John Labate in New York.*

"There was a lot of end-of-the-quarter activity yesterday. Today is like the day after the party," said Dan Mathisson, head stock trader at D.E. Shaw Securities in New York. "The market's just drifting around."

The Dow Jones Industrial Average slumped 50 points in early trade, but had recovered by midday. By noon, the blue-chip index was 15.20 higher at 8,815.01, but the broader Standard & Poor's 500 index was up by less than one point at 1,101.81.

Technology and small-cap shares were holding up, with the Nasdaq composite index up 1.31 to 1,836.99. The Russell 2000 index of small company stocks gained 1.74 to 482.42.

Leading computer retailer CompUSA tumbled 18 per cent or $4¾ to $21¼ after a warning about weaker fourth-quarter gross margins.

Tobacco stocks were also sharply lower on dimming expectations of an agreement between companies and regulators.

RJR Nabisco fell $1¼ to 30\frac{1}{16}$, while Philip Morris, a Dow member stock, lost $2 to 39\frac{11}{16}$.

A downgrading by Paine Webber sent Deere shares down $¾ to 61\frac{1}{16}$.

Treasury bonds were mixed after a report by the National Association of Purchasing Management showed a rise in business activity without pricing pressures. The benchmark long bond was down $\frac{1}{32}$ to 102$\frac{1}{32}$, yielding 5.948 per cent.

In spite of the downcast tone in the market, some stocks pulled higher. Oxford Health Plans rose 5 per cent or $¾ to 15\frac{11}{16}$ after a new executive was named.

In the transport sector, Airborn Freight gained 2\frac{1}{16}$ to 39\frac{11}{16}$ after Morgan Stanley raised its rating to "strong buy".

Lycos, the internet company, rose by more than 7 per cent or $3¼ to $47½ after announcing new service agreements with several companies, including CDNow. Shares of CDNow gained more than 6 per cent or $1½ to $25¾.

Adaptec climbed $¾ to $20¼ after the company's announcement of job cuts on Tuesday.

TORONTO was weak at midsession, weighed down by a dull gold sector, and the TSE-300 composite index lost 35.80 to 7,522.70 in volume of 28m shares.

Analysts noted that 10 of the market's 14 sub-indices opened lower, led by dips in the gold and conglomerates sectors. By contrast, the metals, and oil and gas groups just managed to keep their heads above water.

Philip Services eased 10 cents to C$14.65 on news that it would take an additional $13.6m in pre-tax charges for 1997, on top of previously announced $185.4m in charges, to cover losses from copper trading.

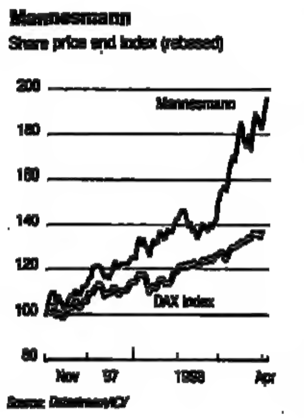
Dax back in record territory

EUROPE

Shares in **FRANKFURT** returned to record territory, but closed off their best levels of the day after Wall Street's uncertain early trend. The Xetra Dax index finished late electronic trade 38.10 better at 5,135.35, off a high of 5,170.29.

Mannesmann was the biggest gainer in the Dax, advancing DM84 to DM1,430. This extended its rise since the start of March to more than 30 per cent, helped by a number of bullish assessments on the company. Last week, Morgan Stanley repeated its strong buy recommendation and raised its target price on the stock to DM1,550.

Mannesmann
Share price and index (rebased)



Source: Datastream/ICV

The merging Bavarian banks were also sharply higher after Tuesday's annual news conference. Hypo-Bank added DM4.25 to DM105.20 and Vereinsbank was marked DM5.50 up to DM140.40.

Motor stocks continued to be actively traded in response to Monday's news that BMW was to buy Britain's Rolls-Royce Motor Cars.

BMW was DM33 higher at DM2,084, while VW, which denied that it had raised its unsuccessful bid, rose DM26 to DM1,451.

PARIS closed at a second consecutive high, helped by the dollar's strength. The CAC 40 index rose 7.50 to 3,883.31, off a high of 3,911.59.

FTSE Actuaries Share Indices						European series
April 01						
National & Regional Markets	Ecu Index	Day's %	change points	Yield gross %	xd adj ytd	Total retn (Ecu)
FTSE Eurotop 300	1230.72	+1.21	+14.71	1.89	5.20	1245.90
FTSE Eurotop 100	2837.26	+1.12	31.55	–	–	–
FTSE Eurotop 300 Regions						
300 UK	1214.62	+1.62	+19.36	2.76	11.36	1247.39
300 Ex-UK	1240.59	+0.98	+12.08	1.41	1.69	1245.57
300 Eurobloc	1217.45	+1.00	+12.09	1.59	2.04	1224.29
300 Ex-Eurobloc	1243.18	+1.36	+16.62	2.10	7.47	1264.38
FTSE Eurotop 300 Economic Groups						
Resources	1041.83	+1.08	+11.13	2.64	3.82	1080.44
General Industries	1153.46	+0.77	+8.86	1.76	4.87	1161.46
Consumer Goods	1194.40	+1.72	+20.21	1.54	5.32	1212.87
Services	1186.53	+1.12	+13.10	1.85	4.51	1200.67
Utilities	1344.61	+0.99	+13.17	3.29	1.84	1382.94
Financials	1368.05	+1.29	+17.38	1.78	7.27	1383.77

More information on http://www.ftse.com. 'FTSE' and 'Footsie' are registered trade marks of the London Stock Exchange and The Financial Times. 'Eurotop' is a registered trade mark of the Amsterdam Stock Exchange. FTSE Eurotop indices are compiled by FTSE International. © FTSE International Limited 1998. All rights reserved.

Air Liquide, the industrial gasses company, jumped FFr68 or 6.5 per cent to FFr1,118 after one broker raised its rating and earnings estimate on the share after the chairman gave a bullish forecast at an analysts' meeting on Tuesday.

Bouygues picked up to a high of FFr1,127 on better-than-expected 1997 net profits before turning back to close FFr36 lower on the day at FFr1,044. The turnaround followed a reported boardroom dispute over concerns about the capital cost of Bouygues' telecommunications strategy.

Pinault-Printemps, up sharply on Tuesday, fell FFr167 to FFr4,623 after the company denied rumours that it planned to sell its Printemps store chain.

Dexia advanced FFr29 to FFr859 ahead of its results, after the market's close.

ZURICH extended its heady foray to the peaks and the SMI index climbed 30 to 7,615.5.

Among the financials, CS Group stood out with a rise of SFr10 to SFr315 on a retelling of old rumours that a merger or acquisition was in the air.

Nestlé, a recent outperformer, rose another SFr7 to SFr2,920 as Salomon Smith Barney upgraded the stock and set a 12-month price target of SFr3,300.

SMH, down SFr14 to SFr965, was weighed down by news that Swiss watch exports to Asia fell 20 per cent in the two months to February because of the region's economic crisis.

Richemont, the consumer products group, climbed SFr159 to SFr2,209 as Lehman Brothers began coverage of the stock and forecast that the share price could double over the next one or two years.

Among smaller shares, Moevenpick rose SFr50 to SFr810 in the wake of its positive 1997 results.

Venture company Tege soared SFr12.50 to an all-time high of SFr119 on expectations that its sole product, a french fry vending machine, would soon hit the market after lengthy testing. Traders said the price was driven by expectations that the company would start mass-producing the machines.

AMSTERDAM was driven up by a rally in blue chips, supported by the rise in the dollar and strength of German shares. The AEX index added 16.27 or 1.4 per cent to 1,143.08.

Royal Dutch benefited from an improved view on oil prices and gained Fl 3.30 to Fl 121.30 on bargain-hunting. Unilever rose Fl 9.60 to Fl 140.20 while ING advanced Fl 1.30 to Fl 119.60 ahead of its earnings announcement on Thursday.

MADRID was lifted by a 9 per cent rise in Argentaria as foreign buyers targeted the bank. The general index closed a volatile session up 10.06 at a record 898.73. Argentaria rose Pta1,200 at Pta14,200 while Telefónica gained Pta130 or 1.9 per cent to Pta7,050.

MILAN finished at a record high as declining bond yields supported a shift into equities. The Mibtel index rose 580 or 2.4 per cent to 25,163, led by banking shares.

Speculation of mergers triggered rallies in banks. San Paolo jumped L2,515 or 9.9 per cent to L27,947, while Banca Commerciale rose L630 or almost 7 per cent to L9,717.

Written and edited by Michael Morgan, Emiko Terazono and Paul Gregan

Mexico City eases off

MEXICO CITY was easier at midsession with the IPC index registering a loss of 12.76 to 5,003.46. Analysts said that investors were already in a holiday mood ahead of Easter, and they were also waiting for the first-quarter earnings to start coming in.

Market belwether Telmex L shares were unchanged at 24.10 pesos.

Broadcaster TV Azteca CPO shares fell 75 centavos to 42.25 pesos and financial group Banorte B shares were down 30 centavos to 13.50 pesos.

CARACAS edged lower in very quiet morning trade and by midsession, the IBC index was 64.64 lower at 7,621.19.

Telephone monopoly CANTV eased 18.50 bolivars to 3,085.50 bolivars.

SAO PAULO was pulled down by a weak telecommunications sector and by midsession the Bovespa index was 78 weaker at 11,869.

RMB plans lift financials

SOUTH AFRICA

A spending spree by domestic and offshore institutions sent Johannesburg to an all-time high. The overall index closed 139.1 higher at 7,710.8.

Financials rose 249.1 to 14,377.6, helped by RMB Holdings' plans to create a financial services group. RMB rose 125 cents to R19.50. Industrials rose 147.2 to 8997 and golds 28.4 to 842.

Anglo moved up R10.20 to R241 as benchmark De Beers gained 80 cents to R110.60.

Daiichi failure unnerves Tokyo

ASIA PACIFIC

Fears of further corporate failures and the gloomy economic outlook triggered a bout of nervous trading and sent Tokyo lower, *writes Michiyo Nakamoto.*

The Nikkei 225 average fell more than 2 per cent during the day before recovering to close down 285.51 or 1.7 per cent at 16,241.66. The index moved between a high of 16,440.76 and a low of 16,147.75.

Investors were unnerved by news that Daiichi, the consumer finance company, would be liquidated after its banks refused to continue to support it.

The collapse of Daiichi set the tone for gloomy trading on the first day of the new fiscal year as fears of further failures arose. Expectations that the Bank of Japan's quarterly *tankan* survey of business sentiment today would show further weakening added to the grim mood. The yen's continued decline against the dollar further dampened spirits.

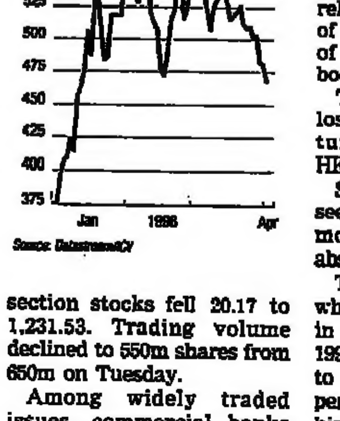
The mood was aggravated by frustration over the lack of effective policy initiatives to counter the country's economic woes.

The ruling Liberal Democratic party unveiled a new three-year deregulation programme on Tuesday, but this failed to generate much enthusiasm. The LDP continued to send unclear signals about its economic stimulus package.

While there is a growing consensus that the package is likely to include income tax cuts, the LDP has refused to clarify that point for fear of arousing criticism of its policy reversal.

The Topix index of first-section stocks fell 20.17 to 1,231.53. Trading volume declined to 550m shares from 650m on Tuesday.

South Korea
Korea Composite



Source: Datastream/ICV

Among widely traded issues, commercial banks were sold heavily as fears of the negative impact of financial deregulation on Japanese financial institutions spread.

Sakura Bank fell Y52 to Y421 and Long-Term Credit Bank declined Y18 to Y214.

JAKARTA lost 3.2 per cent on concerns over inflation and President Suharto's health. The composite index lost 17.48 to 523.95 as investors also braced themselves for the release of March inflation figures today.

Companies with large borrowings, which had rallied on expectations of a debt rescheduling by foreign banks, lost ground. Astra lost Rp125 to Rp2,025 and Indofood declined Rp275 to Rp3,523.

HONG KONG sank 1.6 per cent as buyers and futures-related traders dropped out of the market after the close of first-quarter accounting books on Tuesday.

The Hang Seng index lost lost 187.26 to 11,331.42 in turnover that fell to HK$6.5bn.

SEOUL extended the losses seen since the start of last month in the continued absence of foreign demand.

The composite index, which picked up 60 per cent in the first two months of 1998, lost 12.82 or 2.7 per cent to 468.22, stretching to 18.5 per cent its losses since its high for the year on March 2.

Some brokers fear the index may now fall to between 400 and 420.

They point to concerns that corporate defaults could increase again as large amounts of three-year corporate bonds come due in April while companies face financial difficulties.

KUALA LUMPUR dropped 2.7 per cent. Investors demonstrated their disappointment with a number of recent corporate reports and there was an absence of fresh incentives to buy. The composite index finished 19.47 lower at 700.05.

SINGAPORE was lifted from the day's lows by a late rally, but analysts cautioned that the support may have come from dealers with over-the-counter derivatives based on the index.

The Straits Times Industrial index picked up from a low of 1,586.47 to close 29.06 lower on the day at 1,600.12.

MANILA fell for the fifth consecutive day as the peso weakened against the dollar. The composite index fell 29.05 or 1.3 per cent to close at a two-week low of 2,209.37.

The currency weakened to 38.3 pesos to the dollar against the previous session's 37.99 pesos, prompting profit-taking. DMCI Holdings fell 0.3 pesos or 10 per cent to 2.7 pesos.

WELLINGTON posted strong gains thanks to a rally in NZ Telecom. The overnight rise on Wall Street also helped sentiment and the NZSE 40 capital index rose 44.44 or 1.9 per cent to 2,332.72. NZ Telecom rose 25 cents to NZ$8.87.